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When nationalism turns nasty

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Yeltsin blamed as troops battle to regain Grozny

A ferocious counter-offensive by Russian troops against hundreds of Chechen separatist fighters who had infiltrated Grozny, the devastated regional capital, left scores of casualties. The renewed conflict in the southern Russian region sparked bitter recriminations in Moscow on the eve of President Boris Yeltsin's inauguration. Gennady Zyuganov (left), Communist party leader and defeated presidential candidate, criticised the security services for failing to prevent the rebels' infiltration, but held Mr Yeltsin ultimately responsible. Page 12; Editorial Comment, Page 11

Czech bank collapses: The Czech Republic suffered its biggest banking collapse when the central bank closed Kreditní Banka, the country's sixth-largest bank, with losses estimated at Kč12bn ($450m). Page 2

Israeli minister quits: Israel's justice minister, Ya'akov Ne'eman, resigned in the face of a police investigation. Page 4

German bank drops 39%: Bankgesellschaft Berlin ended the run of sharply higher German bank results with the announcement of a 39 per cent drop in profits to DM310m ($209m), caused in part by heavy investments in computer systems. Page 13

SocGen raises Crosby Securities stake: French banking group Société Générale is to take a majority stake in investment bank Crosby Securities to form a new Asian brokerage and corporate finance institution. Page 13

Germany and Denmark consider link: Denmark and Germany shortlisted five options for the proposed bridge or tunnel link across the Fehmarn Belt, the strait between northern Germany and the southernmost tip of Denmark. Page 2

Kodak seeks Fuji probe: Eastman Kodak of the US filed a complaint with the Japan Fair Trade Commission seeking an investigation into alleged anti-competitive practices by Kodak's main international rival, Fuji of Japan. Page 5

Concern stays over Procter & Gamble: US consumer goods company Procter & Gamble produced a 17 per cent increase in fourth-quarter net profits to $554m, but the figure failed to quell investor concerns about the company's short-term growth prospects. Page 13

US expects to reverse tourism decline: Travel to the US is expected to grow by between 3 and 4 per cent a year over the next four years compared with a decline of 3 per cent in 1995, the US Commerce Department said. Page 5

Argentina in grip of strike: A 24-hour general strike brought Argentina to near standstill as police clashed with marchers protesting against an economic policy they blame for recession and record unemployment. Page 14

UK raids tied to copper probe: Police and fraud investigators searched bouses in southern England in their inquiry into the world copper market after Japan's Sumitomo scandal, the UK Serious Fraud Office said.

India sets up sell-off panel: India set up a panel of financial experts to advise on share sales in state-controlled companies in a move seen as an intention to step up its privatisation programme. Page 6

Violence threatened in Cape Town: The South African army is to be deployed in Cape Town today following threats of renewed violence between a militant Moslem organisation and gangs accused of dealing in drugs. Page 4

Manila prosecutes mill chiefs: The Philippine government prosecuted three mining executives for alleged recklessness in allowing a copper mill to leak what is claimed to be toxic waste into a river. Page 12

Fruit handout ditched: Farmers were forced to abandon attempts to hand out 50 tonnes of free fruit and vegetables in Paris, in protest at falling prices, after being mobbed. Page 2

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,690.93	(-27.74)
NASDAQ Composite	1,137.54	(-3.57)
Europe and Far East		
CAC40	1,987.42	(+0.65)
DAX	2,538.15	(+6.26)
FT-SE 100	3,811.4	(+0.3)
Nikkei	20,731.31	(+253.72)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.114%
Long Bond	90⅛
Yield	6.778%

■ OTHER RATES

UK: 3-mo Interbank	5⅞%	(same)
UK: 10 yr Gilt	97⅞	(96¾)
France: 10 yr OAT	106.48	(106.52)
Germany: 10 yr Bond	99.61	(99.8)
Japan: 10 yr JGB	98.665	(98.4582)

■ NORTH SEA OIL (Argus)

Brent Dated	$20.01	(19.575)

■ GOLD

New York Comex		
(Dec)	$394.4	(394.1)
London:		
close	$386.2	(same)

■ DOLLAR

New York lunchtime		
£	1.5497	
DM	1.46365	
FFr	5.058	
SFr	1.210	
Y	108.215	
London:		
£	1.5496	(1.542)
DM	1.4845	(1.4829)
FFr	5.0695	(5.0628)
SFr	1.211	(1.2075)
Y	108.165	(107.75)

■ STERLING

DM	2.3004	(2.2866)
Tokyo close:	Y 107.88	

Albania	LEK 220	Gibraltar	£2.75	Lithuania	Lits 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	£E5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils650	Portugal (m'land)		Turkey	L90,000
Germany	DM4.00	Lebanon	LL3,000		Es240	UAE	Dh12.00

Belgium urges new debate on Emu sanctions

By Neil Buckley in Brussels

Belgium yesterday reopened the issue of sanctions against European Union member countries that do not join the proposed single currency and that devalue their currency to gain competitive advantage.

Mr Philippe Maystadt, the Belgian finance minister, said it was essential to "relaunch the debate" on potential sanctions against non-Emu states after the European Commission last month dismissed calls from Mr Jean Arthuis, the French finance minister, to reduce EU aid payments to countries that competitively devalued.

Belgium yesterday became the first EU state to pledge to meet the timetable for transition to the single currency agreed at December's Madrid summit of EU leaders – including issuing central bank and market information and conducting all interbank payments in euros from 1 January 1999. It also promised to go beyond the Madrid requirements by issuing bonds and treasury bills in euros from 1999.

Mr Maystadt said that surveillance of the relationship between single currency "ins" and "outs" was vital – as was agreement on the criteria by which a currency devaluation would be considered deliberately competitive.

"To give teeth to the monitoring procedure, it is essential to provide for specific sanctions that the Council of Ministers could apply in cases of flagrant violation of competition rules because of an exchange rate policy that is too lax," Mr Maystadt said.

He plans to ask fellow EU finance ministers to order the Commission to reopen the issue.

He has asked Ireland, holder of the EU presidency, to put it on the agenda of the informal meeting of finance ministers in Dublin next month. Mr Maystadt insisted yesterday that monetary union would go ahead on time in spite of market rumours that France was planning to request a six-month postponement of the planned start date.

Belgium's place among the first countries to convert to the euro is not yet assured. Mr Jean-Luc Dehaene, prime minister, last month took special powers to draw up the 1997 budget without parliamentary consent to help guarantee Belgium's participation by cutting its budget deficit to 3 per cent of GDP. Belgium also had a debt to GDP ratio of 133 per cent last year, against a target of 60 per cent.

To emphasise the Belgian government's commitment to its goal of meeting the Madrid summit timetable, Mr Maystadt yesterday published an eight-point plan for transition to the euro.

It proposed guidelines which had been drawn up by representatives of the banking community, Brussels bourse, tax authorities, national bank and treasury.

Emu faces credibility crisis, Page 10

UK warned over single currency

London's top investment banks are warning, in a report published today, that the financial community must urgently speed up its preparations for European monetary union if it is to keep its competitive edge – whether or not the UK joins the single currency. Report, Page 7

Probe into ex-directors of Crédit Lyonnais

By Andrew Jack in Paris

The French government is launching criminal investigations against former directors of Crédit Lyonnais, the state-controlled bank that reported substantial losses during the early 1990s.

Mr Jean Arthuis, minister of economics and finance, said yesterday he had sent a formal request to the ministry of justice to pursue former senior directors for "failure to control its subsidiaries".

Investigations into subsidiaries of the bank are already under way, but this is the first time the government will have investigated directors personally. Those targeted could include Mr Jean-Yves Haberer, chairman of Crédit Lyonnais during 1988-93, when the government forced him out as it became clear that the bank was in difficulties.

A high proportion of the bank's losses were the result of over-aggressive expansion from the late 1980s – notably in the French property market which subsequently crashed – but there have also been allagations of fraudulent transactions.

Mr Arthuis' initiative will add extra momentum to those who have called for stronger action against former directors of the parent bank.

About 42 legal actions are ontstanding – including 15 outside France – in relation to the activities of Crédit Lyonnais, but they concentrate on allegations of fraud in subsidiaries, rather than pursuing those on the group board.

Some investigations involve directors of subsidiaries, such as International Bankers and Altus Finance, while others are aimed at clients including Mr Bernard Tapie, the French politician and businessman, and Mr Giancarlo Parretti, the Italian businessman, whom France is trying to extradite from the US.

One private investor in Crédit Lyonnais has launched a criminal action against the bank's directors, alleging that they were responsible for presenting false accounts.

The investigations follow criticism levelled against Crédit Lyonnais' senior management in a parliamentary inquiry which reported in late 1994, and attacks last year by the Cour des Comptes, the public accounting watchdog.

The Cour is believed to have provided new information last month to the government questioning the accounts of Altus Finance, a subsidiary of the bank, during 1991-93.

The government is believed to be preparing a new restructuring package since it has become clear that the existing FFr135bn ($27bn) plan proposed last year is too costly for Crédit Lyonnais.

Flash flood kills 62 at family campsite in Spain

Rescue workers yesterday carry away a victim of the flash flood at Biescas in the Spanish Pyrenees in which a torrent of mud and rock swept over a family campsite, killing at least 62 people and injuring many more. Report, Page 2 Picture: Reuter

Nokia shares rise on recovery hope

By Hugh Carnegy in Stockholm

Shares in Nokia jumped 11 per cent yesterday after the Finnish mobile telephone specialist forecast a rebound from a damaging period of production difficulties, falling margins and tumbling profits.

"The second quarter has given us tremendous confidence that our markets are not only healthy but that we are going to return to very satisfactory levels of profits," Mr Jorma Ollila, chief executive, said after publishing the group's second-quarter results.

There has been widespread concern among investors that Nokia, the world's second largest supplier of mobile handsets after Motorola of the US, had come to the end of a golden period of explosive sales and profits growth.

But Mr Ollila insisted Nokia had overcome internal production problems and that the global mobile phone sales were continuing to grow at more than 50 per cent a year with no acceleration in price erosion.

Nokia's second-quarter pretax profits plunged 56 per cent from FM1.67bn to FM728m ($162m), but the decline was significantly less than the 70 per cent drop in the first quarter. The result left first-half profits down from FM3bn to FM1.13bn.

First-half sales slipped from FM17.5bn to FM16.9bn, but were up 15 per cent excluding currency shifts and divestments.

This was comfortably in line with market expectations and investors pushed Nokia shares as high as FM183, more than FM20 above Tuesday's close. The shares fell back to close at

Continued on Page 12

ABB results trigger failure on Zurich stock exchange

By William Hall in Zurich

Trading in the shares of ABB, the international electrical engineering gronp, was stopped for nearly 30 minutes on Switzerland's new electronic stock exchange yesterday after a surge of orders at widely varying prices triggered an automatic halt.

The failure follows several similar episodes in the trading of other Swiss blue chip shares since the electronic exchange started handling trades in domestic issues last Friday, and is a growing embarrassment for exchange officials.

ABB had just reported a 22 per cent rise in first half net income to $556m and a plan to make a special capital repayment to shareholders. This resulted in hectic trading conditions, with dealers submitting a series of buying orders which bore little relation to the underlying share price.

Mr Otto Nägeli, responsible for overseeing trading at the Swiss stock exchange, admitted the trading halts were not belping Zurich's bid to win back business from abroad.

Wednesday appears to have been the only day this week when there were no significant trading halts.

Mr Nägeli said it was the quality of the input of information from the traders that was at fault, not the trading system. Soma traders had been inputting buy orders that were "completely out of line". Under the old system of open-cry trading, these orders would have been ignored, but once they are in the new system they have to be processed.

The electronic exchange project suffered several development delays with substantial cost increases since being launched five years ago.

The system, which aims to strengthen Switzerland's competive position against other world financial centres, is supposed to improve efficiency and transparency. However, it has led to a substantial jump in the number of people who can trade stocks and many newcomars are not skilled operators.

Mr Nägeli estimated that the number of traders with access to the new market has jumped from the 110 to up to 700. "Most of them are novices and they need a certain time of adjustment," Nägeli said.

Mr Nägeli said he was reluctant to interfere in the working of the market but he might have to review the rules in areas such as order validation.

ABB shrugged off the problem, saying it was confident tha Swiss exchange would sort it out.

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NEWS: EUROPE

Worst collapse so far causes red faces throughout financial establishment

Big losses bring down Czech bank

By Vincent Boland in Prague

The Czech Republic suffered its biggest banking collapse yesterday. The central bank closed the oation's sixth-largest bank with losses estimated at Kč12bn ($450m), causing red faces throughout the country's financial establishment.

The collapse of Kreditní Banka leaves Česká Pojišťovna, its controlling shareholder and the country's largest insurance company, facing a financial crunch. Furthermore, senior Czech bankers were members of CP's supervisory board while the losses, most of them caused by poor lending decisions, were being clocked up.

It is the worst collapse since Banka Bohemia failed in 1993 after issuing fake securities, and the biggest to be caused by lending losses. The central bank said it was too early to say whether fraud played a part.

Kreditní's 13 branches and 118 sub-offices have been closed, ending weeks of speculation about the bank's fate during which estimates of its losses swelled from Kč4bn.

Depositors will be reimbursed by the state-run deposit guarantee fund and by CP up to a maximum of Kč4m per customer. The total payout is expected to reach at least Kč2.5bn. The guarantee fund is already financially stretched after other banking failures this year and analysts said it might need a cash injection from the state or large banks.

"CP is Kreditní's biggest depositor and will incur large losses on its own account because of the collapse. It was unclear yesterday how much of it would be borne by CP's cootrolling shareholders, Investiční & Poštovní Banka (IPB) and the privately-run PPF investment company.

Shares in CP fell by the maximum allowed 5 per cent in trading on the Prague stock exchange, to Kč4,032 a share. It took control of Kreditní late last year.

The case has embarrassed some of the country's leading banks and the National Property Fund, the state holding company. Apart from IPB, two other big Czech banks are also shareholders in CP (one is state-owned and the government is the biggest single shareholder in the other), while the National Property Fund owns 27 per cent. Each had a representative on the CP supervisory board until recently.

Analysts blamed much of the collapse on bad management at both Kreditní and CP. "Problems in the Czech banking sector are always related to management," said Mr Miroslav Nosal, analyst at investment bank Patria Finance.

They also pointed to the web of cross-shareholdings linking Kreditní, the insurance company and the leading banks as a source of the problem. "I find this collapse more troubling than other [bank] failures," said Mr Jack Schrantz of Creditanstalt Securities. "Nobody was minding the store."

The central bank began intervening in the banking sector in January to weed out troubled institutions. Eight have been shut or placed in administration. Kreditní is the eleventh bank to fail since the sector was liberalised at the start of economic reforms.

Parisian mob puts paid to free food

By Andrew Jack in Paris

Farmers were forced to abandoo attempts to hand out 50 tonnes of free fruit and vegetables in the French capital yesterday in protest at falling prices after being mobbed by Parisians.

The several hundred people who gathered on the forecourt of Mootparnasse railway station seemed more coocerned about the prospect of receiving free fruit than in the issues raised by the farmers.

The handouts were twice suspended and resumed, before the crowd pushed forward again and a protest leader called off the impromptu market. He announced that the farmers would instead donate their produce to charity.

The handout was the culmination of a week of protests. Farmers have complained that supermarkets are paying too little for their prodoce and that the streogth of the franc is destroying exports.

FNSEA, the national federation of agricultural unions, has helped to co-ordinate a campaign alleging that retailers sell produce at high mark-ups after buying below cost price. Fruit has been giveo away in the south of France, and farmers have even dumped food to block access to out-of-town shopping centres.

Good weather in the past few weeks has brought a large and early fruit harvest – especially of peaches – and bad helped drive down prices. The strength of the franc against the lira and the peseta bas encouraged supermarkets to buy fruit from Italy and Spain, while retailers in other countries have bought less French produce.

Retailers also complain that disappointing weather in early July and persistent consumer pessimism has helped to depress sales of fresh fruit and vegetables, increasing wastage and reducing prices.

But several of France's largest supermarket chains, iocludiog Carrefour, Auchan, Casino and Intermarché, agreed this week to buy peaches above the minimum productioo cost of FFr5.50 a kilogram. Producers and retailers met for talks at the agriculture ministry yesterday.

"We want to sbow the quality of our produce," said one farmer at yesterday's demonstration. "We want to fight against unemployment. Agriculture is the best way to support the countryside and rural life. We have had eoough talk, we want action."

Eager Parisians scrabble for fresh produce being given away by protesting farmers yesterday AP

French state offers a helping hand to struggling businesses

Andrew Jack on a new bank to meet smaller companies' needs

The hopes of France's small and medium-sized businesses will be focused later this year on a spacious office building in suburban Paris. It is there that executives are setting up the Banque de Développement des Petits et Moyens Enterprises (BDPME), a state-controlled bank whose specific function will be to help solve the sector's many problems.

The initiative, launched formally last month by Mr Alain Juppé, the prime minister, is one of a range of support policies – including tax reductions, attacks on red tape and a freeze on large-scale commercial developments – designed to improve the creation and survival rate of small companies.

The political pressure is intense. President Jacques Chirac, mindful of his rural and small-business constituents, has stirred controversy more than once in recent months with attacks on the way French financial institutions handle their clients. In a television interview last month, he criticised the most powerful bank of all, the Bank of France, arguing that high domestic interest rates were stifling the ability of businesses to grow.

The government's response to the problem has been to attack a "financing gap" for medium- and long-term finance for smaller companies in precarious financial health.

The BDPME is a repackaging of two existing state-controlled groups: Crédit d'Equipements des PME (CEPME), which provides medium- and long-term loans to small business; and Sofaris, which partially guarantees loans by commercial banks.

Under arrangements to be finalised before the end of the year, the new bank will control both CEPME and Sofaris, with extra funding from a recapitalisation, and a new allocation of FFr18bn ($3.6bn) on top of the existing FFr12bn provided by the state-backed tax-exempt Codevi savings scheme offered through French banks.

Some bankers grumble that the two institutions distort competition and cost the taxpayer money. CEPME made losses of FFr256m last year, for example, on top of FFr461m in 1994 and FFr728m in 1993.

But Mr Jacques-Henri David, head of the CEPME and recently appointed to lead the BDPME, says there will always be a need for a state-backed institution to provide medium- and long-term finance. He points to similar arrangements in other countries such as the US, Canada, Germany and Japan.

He says that eveo commercial banks make losses on these loans. "The risks are structural. All banks lose money in this market. I don't see how it can be covered apart from with public aid." Making such loans to keep companies in business and help them develop "is cheaper than providing grants for employment or other less productive forms of support", he says.

Mr David concedes that the attacks of small, struggling businesses on bankers denying them finance are not always justified, and that "those who cry strongest are often not viable companies". But he says he intends to use commercial critera when judging requests for credit, supporting "those which are innovative but have already been created, which have products and technical capacity but can't find the necessary finance".

Mr Juppé stressed last month that there would be a "partnership" between France's commercial banks and the BDPME, rather than an attempt by the latter to undercut interest rates in order to win business.

Details are still being worked out, but Mr David says he would like to see decisions decentralised, with his organisation sharing the financing risk and the management of clieots' loans with the commercial banks.

Inspired by the example of US banks, he favours a greater degree of credit-scoring in France; smaller companies presenting greater credit risks would pay higher interest rates. The differeoce in financing would then be absorbed by a public guarantee fund such as Sofaris.

Options chosen for Baltic link

By Andrew Arnold in Copenhagen

Denmark and Germany have shortlisted five options for the proposed link across the Fehmarn Belt, the strait between northern Germany and the southernmost tip of Denmark.

Four tunnel designs and one bridge will be considered over the next two years by officials from both countries. Two plans for a combined bridge and tunnel were dropped on cost and environmental grounds.

The link would be the third between Denmark and Scandinavia and central Europe, and is expected to cost DKr18bn-DKr30bn ($3bn-$5bn). An 18km road and rail link across the Great Belt, the stretch of water between the islands of Zealand and Funen, is under construction and due for completion in 1998. Two years later the Oresund tunnel and bridge system will connect Denmark directly with southern Sweden.

Danish officials stressed yesterday that it was not certain the third link would be built. "The politicians see the possibility of bringing Scandinavia closer to the continent," said Mr Hans Carl Nielsen, head of planning for the transport ministry. But he added that there would have to be a trade-off between the economic benefits and the potential disruption from higher traffic.

Traffic volumes in the Great Belt connection could suffer slightly if the Fehmarn Belt project goes ahead. "Traffic will turn southwards rather than drive an extra 150km," said Mr Ajs Dam, deputy director of public affairs. The 13-year payback period for the estimated DKr40bn investment could be extended by a further two to three years if the Fehmarn link is completed.

But forecasts for the 16km Oresund link are rosier. The DKr30ho road and rail connection will be completed in four years. The consortium building the route forecasts an increase in the amount of traffic as road and rail users take advantage of the shorter travelling time between Sweden and Germany via Denmark.

EUROPEAN NEWS DIGEST

Flash flood kills campers

A torrent of mud and rock claimed the lives of 62 people when it swept over a crowded family campsite in the Spanish Pyrenees. Most of the victims were Spanish, but state radio reported six holidaymakers from Germany, France and Belgium were among the dead. The campers also included British and Dutch tourists.

The authorities said the final death toll could still rise because an unknown number of the hundreds of people staying at the campsite were still missing after the freak flood on Wednesday night. More than 180 people were injured.

"It all happened in a flash… it was like a giant wave carrying off everything, the cars, the trailers," one survivor told Spanish television. "It was a matter of seconds, not even minutes. The main street in the campsite was a river of mud, between one and two metres deep."

Police said the task of identifying the victims was complicated hy the fact thet most were not carrying identity documents. Rescuers voiced frustration at the difficulty of recovering bodies, some of which were pulled from the mud as far as 10 miles downstream from the campsite. *Reuter, Biescas*

Brussels acts on phone 'locks'

The European Commission has written to GSM mobile phone manufacturers and operators to limit the use of a locking function that can tie customers into one network. The SIM lock deters theft by allowing phones to be "locked" when not in use, but also has the effect of tying tha phone into a particular network.

Brussels is concerned this would prevent consumers switching easily between services and reinforce the division of the mobila phone market along national lines.

It wants manufacturers to make only SIM locked handsets which can be unlocked by customers themselves, and for network operators to advise customers that phones can be "unlocked" from a particular service on demand.

However, it has stopped short of saying network operators which supply handsets at a discount, with the full cost of the handset made up out of service charges, must unlock phones at any time. The Commission says customers must be told clearly what the financial arrangements are, but handsets need not be unlocked until the cost of the handset has been paid off by the customer. *Neil Buckley, Brussels*

Solidarity shipyard bankrupt

Gdansk shipyard, where Poland's Solidarity union was born 16 years ago, was declared bankrupt by a Polish court yesterday. Creditors were given two months to file claims. The yard, where Mr Lech Walesa, Solidarity's founder and subsequently Poland's president, was an electrician, employs 6,000 people and has debts of 414m zlotys ($153m) and assets of 350 millioo zlotys.

The government, its owner, said the shipyard had been driven to bankruptcy by unprofitable contracts signed by its previous managements. Critics said the government was refusing to bail it out because it was a stronghold of opposition groups.

In an attempt to save a part of the shipyard, the current management has created a new company from some of its assets. New Gdansk Shipyard is to take over the profit-generating contracts. Mr Ryszard Goluch, the yard president, confirmed that a Norwegian-German consortium was interested in buying a stake in the new company, which is negotiating loans with banks to resume production. *Reuter, Gdansk*

Credit rating for Slovakia

Slovakia, which had central Europe's strongest growing economy last year, has been given a BBB– credit rating, the lowest investment grade, by the European rating agency Ibca, placing it on the same level as Hungary, three grades ahead of Romania, but behind the highest rated countries in the region: Slovenia, the Czech Republic and Poland. It now has the same BBB– rating from the three leading international credit rating agencies, Ibca, Standard & Poor's and Moody's.

Slovakia had reaped the benefits of prudent fiscal and monetary policies, said the agency, but warned that it faced serious political tensions. Ths long-running conflict between Mr Vladimir Meciar, the prime minister, and President Michal Kovac, and the problems facing the country's substantial Hungarian-speaking minority, had raised questions about wbether Slovakia would "meet the democratic criteria for European Union membership". *Kevin Done, East Europe Correspondent, London*

■ Union and management negotiators reached a wage agreement early yesterday to avert a strike at Norway's Mongstad crude terminal and refinery, the Norwegian Oil Industry Association said. *Reuter, Oslo*

■ Danisb and Icelandic government officials will meet next week in an attempt to resolve their two-week fishing dispute. Iceland has claimed sole fishing rights to the 10,000 sq km "grey zone" between its shores and Greenland – which is a self-governing part of Denmark. Denmark says that fishermen from both countries have equal rights. *Andrew Arnold, Copenhagen*

Italy wonders whether to take pity on Craxi

The ex-premier is sick and wants to come home from exile but faces jail if he does so, writes **Robert Graham**

Italiao politiciaos and media are weighing the rights and wrongs of taking pity on former Socialist premier Bettino Craxi, ooe of the nation's leading politicians in the 1980s who later became a symbol of corruption.

The diabetic 63-year-old is making a halting recovery from an operation last week in Tunisia, where he is living in self-imposed exile. It was a fourth operatioo on his gangrenous left leg in an attempt to avoid amputation.

Initially, his condition was so serious that a specialist was flown from Milan for a second opinioo. His lawyers were quick to raise the issue of his return to Italy oo humanitarian grounds to receive medical treatment. This has led his supporters and several of his one-time opponents to focus on his plight.

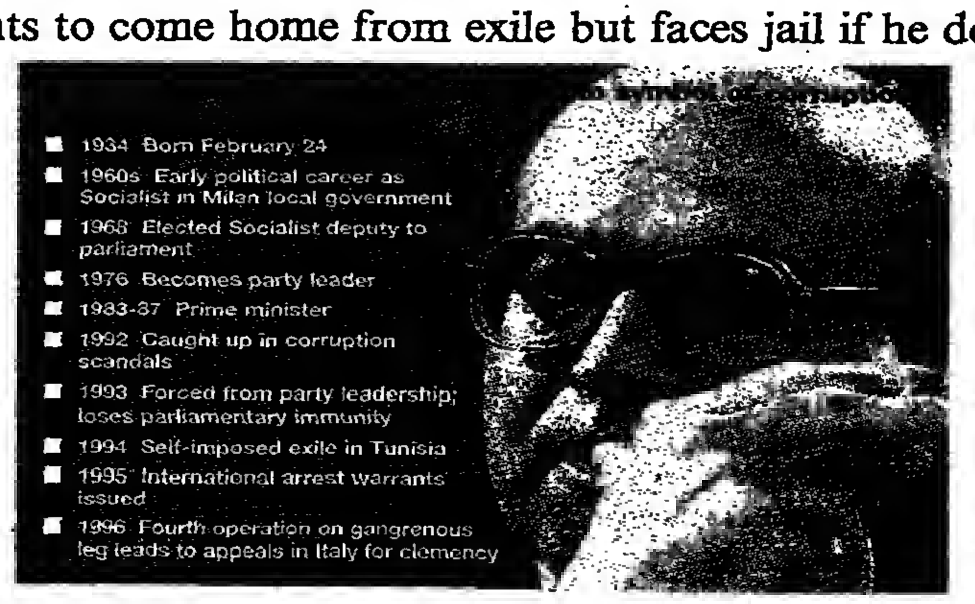
Of all the principal political figures caught up in the corruption scandals since they first broke in 1992, Mr Craxi is the only one who fled the country. He chose to live beyond the reach of Italian justice at his villa in tbe Tunisian resort of Hammamet – well protected by the Tunisian government.

If he returns to Italy he would face immediete arrest oo a multitude of corruption charges and would find it hard to avoid prison on three seotences already handed out.

But Mr Craxi seems to have sniffed some opportunity in his condition and has granted several interviews from his hospital bed. Previously, he has rarely granted ioterviews, preferring instead to make wry commeots over the telephooe and distribute outraged faxes to the media.

"If I return, I'll do so as a free person," be told la Repubblica newspaper in an ioterview published yesterday. "The arrest warrants issued against me have no justification or legitimacy: they're just a means of persecution because I have become the symbol of evil, the head of all Tangentopoli [the name given to the system of bribes uncovered since 1992], a Mafia-style criminal."

Four international arrest warrants have beeo issued against Mr Craxi since July 1995 on a string of political corruption charges. A fifth has reportedly already been prepared by Milan investigative magistrates and is only being beld back because of the current controversy over his health and possible return to Italy.



Mr Craxi bas beeo sentenced to prison terms of up to eight years for corruption on three occasions over the past two years and faces an indeterminate number of additional trials. In April, he was ordered to pay damages of L36bn ($24m) in relation to bribes on contracts for the building of the Milan metro.

Those familiar with Mr Craxi say he suffers from a genuins sense of persecution, even to the point of believing his life is in danger. He believes he cannot be given a fair trial in Italy because his case has been prejudged; and rather than putting him in the dock, the entire post-war political system should be tried.

Mr Craxi himself told parliament when the scandals broke that everyone knew that the political parties received kickbacks from contracts.

He has hinted darkly on several occasions from Tunisia that he possesses embarrassing information on many prominent figures in Italy. Documents with compromising information have been seized in the Rome offices of Craxi sympathisers and he is widely believed to have extensive dossiers from the intelligence services at his disposal.

He is still being investigated for allegedly trying to blackmail Mr Antonio Di Pietro, the present public works minister, while the latter was a Milan magistrate and investigating him for corruption.

That a talkative Mr Craxi could be an embarrassment is underlined by the fact that no formal request has been made to the Tunisian government for his extradition. A 1972 treaty envisages extradition, though not for corruption and illicit financing of political parties. But the Italian government could put pressure on the Tunisians if it was determined to havs him returned, not least because he fled the country illegally and may have made false use of a diplomatic passport.

In these circumstances, it is hard to see how he can return without the Italian political parties and the government considering tha broader issue of tha corruption scandals and how to draw a line under the affair, which would involve an element of amnesty for those prosecuted or still under investigation.

More than a quarter of the previous parliament was affected by Tangentopoli corruptioo investigatioos, as were a raft of prominent businessmen and government officials.

There is growing pressure to find a solution, and dealing with the case of Mr Craxi, symbol of the corrupt regime, will be the most delicate part.

One interim suggestion put forward yesterday was for him to return to Italy initially for medical treatment as a guest of the Knights of Malta, which enjoys extra-territorial privileges in Italy.

But Mr Craxi is probably still seen as a bit too arrogant to be treated softly. And he seems ready for a long exile, commenting yesterday: "At least I'm not like Napoleon on St Helena who couldn't see France. From [Tunisia's] Cap Bon I can see Pantelleria [the Italian island nearest the African mainland]."

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NEWS: THE AMERICAS

SEC ready to impose changes on Nasdaq

By Richard Waters in New York

The Securities and Exchange Commission was due yesterday to announce the settlement of a complaint against Nasdaq which would lead to changes in the way the US's second biggest stock market operates.

The regulatory agency was expected to criticise the market severely for failing to do enough to protect the interests of investors in its market, and to discuss rule changes which could make it easier for small investors to buy and sell at better prices.

The announcement marks the culmination of a two-year investigation into the market, and echoes other regulatory and legal actions that have been brought against it.

The computer-based market, whose biggest stocks include Microsoft and Intel, has been under fire since the publication of an academic study which claimed dealers on its market maintained an artificially larga spread between the prices at which they buy and sell shares. This would in effect boost their own profits while making it more expensive for investors to trade.

The study has also led to a class action lawsuit brought on behalf of investors, and the settlement of an action brought by the Justice Department over whether Nasdaq dealers collnda in maintaining artificially high spreads.

The SEC was expected yesterday to recommend tougher enforcement procedures to ensure Nasdaq improves policing of the way its dealers operate.

The federal agency was also expected to disclose rule changes to force dealers to give small investors as good a deal as they give to big institutional investors.

Mr Paul Schultz, associate professor at Ohio State University and co-author of tha critical study that helped prompt the actions, said: "The SEC is moving towards one price for all trades – you will not see different markets for retail and wholesale customers."

Snch changes, he said, could include requiring dealers to deal for small investors at the same prices they give to big institutions such as pension funds. It could also lead to small investors' orders being "exposed", or made available to others in the market, before being completed. This would mean more competition for trades, and so ensure investors were getting the best prices.

The dispute over how Nasdaq dealers operate echoes a similar debate in London over the rules that govern trading on the London Stock Exchange. Like Nasdaq, on which it was modelled, London's Seaq is a quote-driven system relying on dealers who quote prices at which they are prepared to buy and sell shares.

Critics claim that such systems have been run too much in the interests of the dealers, and that technological advances have made it possible to build cheaper computer systems that can circumvent dealers altogether and achieve better prices for investors.

Poor Bolivia leads way on pensions

Every citizen aged 65 and over is set to receive an annual pension of $200 from next year

By Sally Bowen in La Paz

Every Bolivian aged 65 and over will receive an annual pension of some $200 from next year, if congress approves a law unveiled by the government this week.

The move would be revolutionary for Latin America, where universal pensions are unheard of.

The pensions, which are to be administered by means of a private pension fund system modelled on that of Chile, will be financed from revenue generated by the "capitalisation" of six state-owned companies.

Four of the six – the state electricity and telephone companies, the airline and the railways – have already been capitalised, Bolivia's home-grown version of privatisation.

In return for a 50 per cent stake in the companies, foreign investors have committed $836m in new investment. The government intends that the other 50 per cent, held in trust for the state, should provide the start-up capital for the pension funds.

In his state-of-the-nation address this week, President Gonzalo Sanchez de Lozada said the pension fund law would "close the circle of the great structural reforms of the Bolivian state". He called the initiative the "law of dignity".

Mr Sanchez da Lozada completes three years in power with an impressive list of reforms in what is the South American continent's most impoverished country. His "popular participation" programme has strengthened local municipalities and devolved decision-making, especially in rural areas.

> In Latin America universal pensions are virtually unheard of

Great strides hava been made, too, in decentralisation. According to Mr Sanchez de Lozada, 75 per cent of national income is now managed directly by local, rather than central, government.

Still in its infancy is the ambitious "multi-ethnic, pluri-cultural" educational reform which aims to revolutionise traditional rote-learning methods and give local communities power to monitor the performance of teachers.

Some 6m new schoolbooks in Bolivia's three Indian languages, as well as Spanish, have so far been distributed free to children and more are on the way.

The reforms have provoked vociferous resistance from entrenched groups, including unions and politicians, who have seen their traditional influence wane.

While opposition has generally fizzled out, the president's popularity has taken a severe knock. In his final year in office, he is likely to encounter even stiffer resistance.

If Mr Sanchez de Lozada can push through his pension fund law and the crucial pending capitalisation of oil and gas producer YPFB, he will leave the presidency next August a relatively satisfied man.

"A technical analysis will determine whether we have fulfilled our electoral pledge [to create hundreds of thousands of jobs]," he said on Tuesday. "But we can be sure that the measures of change have created the conditions for sustained economic growth in Bolivia and increased employment possibilities."

Dole secures deal on abortion

By Jurek Martin in Washington

Republican moderates have grudgingly accepted a compromise on the divisive issue of abortion designed to avoid a fight on the floor of the US party's convention in San Diego next week.

The agreement, approved by the platform committee on Wednesday night, retains the party's commitment to a constitutional amendment banning the termination of pregnancies, a bottom-line position for social and religious conservatives.

But it will allow the publication of an appendix containing all the resolutions rejected by the committee. Among them are the declaration of tolerance sought by Mr Bob Dole, due to be nominated next week as the Republican presidential candidate, and another statement pushed by moderates emphasising the diversity of party opinion over abortion.

Mr Paul Manafort, Mr Dole's convention manager, expressed relief at the agreement, which came after a strong appeal from Mr Newt Gingrich, the Speaker of the House. "We didn't want to hava the abortion issue define the convention," Mr Manafort said.

Governor Pete Wilson of California and Senator Olympia Snowe of Maine, prominent pro-abortion advocates, also expressed satisfaction and said it would enable Mr Dole to concentrate on economic and other issues in the race against President Bill Clinton.

The magnitude of that task was underlined yesterday with the publication of the latest New York Times/CBS opinion poll.

This found the president ahead by 22 points (56-34) in a straight contest, but by even more if Mr Ross Perot of the Reform party runs, with 58 per cent preferring Mr Clinton, 28 per cent Mr Dole and 10 per cent Mr Perot, the 1992 independent candidate.

Mr Wilson also made clear that his acceptance of the compromise was grudging. "Frankly, the best platform plank on the subject would be none," he said in a morning TV interview. "A constitutional amendment will never be enacted, therefore it will never prevent one abortion."

Conservatives, who dominate the platform committee, were more than delighted both with the abortion solution and with the rest of the platform, which will be submitted for approval by the full convention next week.

"This is Buchananesque throughout, more than we ever dreamed of," said Ms Angela "Bay" Buchanan, whose rightwing pundit brother, Pat, remains Mr Dole's only official challenger for the nomination.

Another proposal demands that federal judges assert their opposition to abortion before appointment.

Other platform details assert many of the America First beliefs of Mr Buchanan's campaign, including a ban on US soldiers serving under a foreign commander in any UN military operation and a denial of the right of any international court "to seize, try or punish an American citizen."

Clinton: riding easy in the polls as Republicans row over abortion

Massad tipped for top Chile post

By Imogen Mark in Santiago

Chile has named Mr Carlos Massad, a respected economist who is also a close friend and associate of President Eduardo Frei, to the vacant seat on the central bank board.

This will make him a frontrunner for the bank's presidency, which has been vacant since Mr Roberto Zahler resigned unexpectedly in June.

Mr Massad is a candidate with impeccable credentials. He is a well-known macroeconomic specialist and a former president of the central bank in the 1960s, in the government of President Frei's father.

As health minister in the present government, he has had to handle a difficult area, and in his two years in the job had begun to introduce criteria for efficiency in the public health service.

His age, 63, and prestige could allow him to take the central bank presidency comfortably over the heads of the other four directors.

The government is confident his nomination to the board will be rapidly approved by the Senate. The bank president is appointed directly by the President of the Republic from the five-person board.

However, the right-wing opposition parties said after Mr Massad's nomination was announced, that they would vote against him.

They have been lobbying for a second right-wing candidate on the board. Four of the five directors have been named by the past two centre-left governments, and three of the five are members of the parties in tha governing coalition. The fourth is non-aligned.

Political links apart, a key issue is whether Mr Massad can defend the bank's autonomy, given his close relationship with the president.

NEWS: INTERNATIONAL

Erbakan's visit to Iran irks US

John Barham analyses the Turkish prime minister's diplomatic balancing act

Mr Necmettin Erbakan, Turkey's Islamist prime minister, sets off tomorrow for a two-day visit to Tehran, where he will be received with open arms.

But for Washington, Mr Erbakan's trip to Iran, his first stop in a 10-day tour of five mainly Islamic nations, is unwelcome and its timing even more so.

Nevertheless, Washington and Ankara are both wary of allowing a dispute over Iran to threaten an important relationship. The US values Turkey's geopolitical location at the crossroads of Europe, the Middle East and central Asia.

Furthermore, it has always held up Turkey's secular tradition – now threatened by Mr Erbakan's new government – as an example for other Moslem states, in stark contrast to Iran's theocracy.

Mr Erbakan is to sign a deal to import of natural gas from Iran worth $20bn over 23 years, which the US has blocked since it was initialled last year. He plans to boost trade, running at just under $1bn a year. About 100 businessmen are accompanying Mr Erbakan, including a heavy complement of Islamist traders.

Above all, Mr Erbakan aims to strengthen links with the Moslem world, neglected by Turkey's secularist governments. After taking office in June, he scrapped his virulent anti-western rhetoric but said he would still seek to balance Turkey's traditionally pro-western foreign policy by building stronger ties with the Moslem world.

The European Union was set to lodge a protest with the US last night over its new anti-terrorism law imposing sanctions on foreign companies investing in Iran and Libya, Reuter reports from Brussels. EU officials said Ireland's ambassador to Washington, acting on behalf of the EU presidency, would meet State Department officials on the issue.

Mr Erbakan has come under heavy criticism in his Refah party for being over-accommodating to western interests. Under pressure from Washington, he continued a controversial military training agreement with Israel – bitterly opposed by Iran and by Refah while in opposition. He agreed to allow US-led air patrols to continue flying missions over Kurdish northern Iraq from a base in southern Turkey.

"Erbakan took quite a beating in Refah, so a high-profile visit to Iran will help make amends to the party," said a senior US official. Yet he is careful to balance this by including Pakistan, Singapore, Malaysia and Indonesia on his trip. Except for Singapore, these are moderate Moslem countries and, except for Pakistan, have successful market-oriented economies.

Clearly, Refah is anxious not to alienate the US too much. Mr Abdullah Gül, his chief foreign policy adviser, said: "The prims minister's [visit to Iran] must definitely not be interpreted as taking a stance against the US."

Washington also seems careful to avoid antagonising Turkey. The US official said the State Department's initial reaction to Turkey's gas deal with Iran might be limited to "a sharp statement".

He conceded Turkey would probably not even be in violation of the D'Amato law which imposes sanctions on foreign companies investing more than $40m in oil or gas projects in Iran or Libya.

Still, the US official said the visit's timing was unfortunate. "The US is in a real anti-terror mood," he said. The signing of a multi-billion-dollar trade deal with a country accused of sponsoring terrorism following the downing of TWA flight 800 and the bombing of a US military housing complex in Saudi Arabia, only exacerbated irritation with Turkey.

Mr Nicholas Burns, State Department spokesman, said: "There are responsibilities in [the US-Turkey] relationship, that Turkey has to the US that are not lightly taken and should not be lightly dismissed."

Should ties between Turkey and Iran develop unacceptably, the US might respond by withdrawing diplomatic support for Turkey, particularly in its often troubled relationship with western Europe. It would certainly block international loans to finance the pipeline and could even drop support for Ankara at the International Monetary Fund.

However, Washington doubts Turkey's ties with Iran can grow much. Turkey's economy is weakened by debt and heavy inflation, the secularist establishment remains strong, and Iran and Turkey have conflicting regional interests.

Iran has outmanoeuvred Turkey in the Turkic, Moslem republics of former Soviet central Asia. Iran has focused on trade and building infrastructure links rather than exporting Islamic revolution. Turkey's growing trade with the region relies on road links through Iran. Indeed, part of the gas that Mr Erbakan wants to import from Iran originates in Turkmenistan.

Ironically, given Turkey's indifference to Washington's condemnation of Iran as a terrorist state, it is terrorism that poses the principal obstacle to ties between the two countries. The Turkish foreign ministry says: "Terror will be an important subjectduring the meetings."

In April, Ankara expelled four Iranian diplomats it claimed gave logistical support to an Islamist hit squad operating in Turkey. Ankara also accuses Tehran of allowing the Kurdistan Workers party, fighting a 12-year separatist campaign in southeast Turkey, to set up bases in Iran.

However, Iran, Turkey and the US all seem anxious to prevent these issues from getting out of hand. Washington values Turkey as a regional ally and Ankara relies on strong US international support. Mr Erbakan can use ties with Iran to show he has not abandoned his Islamist ideals. Iran sees Mr Erbakan's Turkey as an ideological ally and an important link with a hostile world.

Israeli minister quits over police inquiry

By Julian Ozanne in Jerusalem

The fractious coalition government of Mr Benjamin Netanyahu, Israeli prime minister, suffered another setback yesterday as the justice minister resigned in face of a police investigation.

Mr Ya'akov Ne'eman said he was stepping down after Israel's attorney-general informed the minister he had instructed police to investigate allegations Mr Ne'eman had "obstructed court proceedings" in a case before he became justice minister.

The resignation will further harm the government's credibility in the eyes of the Israeli public. Three senior figures in Mr Netanyahu's coalition had to be excluded from the government when he first formed his cabinet in mid-June, because they are either facing or could face prosecution.

The prime minister hailed the appointment of Mr Ne'eman, the only non-political cabinet member, as a sign of the kind of impartial professionalism and technocratic values his government aspired to emulate.

Mr Ne'eman's resignation coincides with a personal crisis between Mr Netanyahu and Mr David Levy, foreign minister and one-time arch-rival of the prime minister.

Earlier this week, Mr Levy leaked a resignation threat to the press, his second since he joined the cabinet eight weeks ago, and on Wednesday boycotted the inner cabinet meeting.

Mr Levy has complained of being excluded from key foreign policy decisions. Increasingly, policy is being decided by the prime minister's office and Mr Netanyahu's hand-picked foreign policy aides.

Mr Levy was apparently not consulted about a new proposal to rekindle the Israeli-Syrian peace talks, presented to Washington last Friday by Mr Dore Gold, Mr Netanyahu's foreign policy adviser. He was also not invited to go with the prime minister to Jordan on Sunday and was reported to have been angered when Mr Netanyahu tried to appoint his cabinet secretary as head of the negotiating team with the Palestinians.

Some officials are believed to have encouraged Mr Levy in his battle over foreign policy, concerned the prime minister seems to be ignoring foreign ministry expertise.

S African army to patrol drug area

By Roger Matthews in Johannesburg

The South African army is to be deployed in parts of Cape Town today following threats of renewed violence between a militant Moslem organisation and gangs accused of dealing in drugs.

Mr Sydney Mufamadi, minister for safety and security, was forced to seek army help after police failed to intervene during a shoot-out earlier this week between members of People Against Gangsterism and Drugs (Pagad) and those they accuse of organising crime in the Salt River area of the city.

Although the 15-minute gun battle was filmed and photographed, no arrests have been made.

Pagad has since staged another armed demonstration and has warned criminal elements that unless they leave by Sunday they will be "taken out". In what appeared to be a retaliatory attack, one of the Pagad activists was shot dead yesterday.

The army units are expected to be stationed near mosques and Islamic schools, and patrol areas where tension is particularly high. Nearly 400 police are already on duty in those areas, and yesterday carried out raids on several homes in search of weapons.

Mr Farouk Jaffer, spokesman for Pagad, said nothing would stop the campaign to rid the area of drugs dealers. "The process has been set in motion and we are determined to see it through. The community will not accept anything less," he said. Mr Jaffer also objected to the description of Pagad members as "vigilantes", describing them as "concerned members of society".

Mr Mufamadi said he understood their anxieties, but this did not entitle them to take the law into their own hands.

INTERNATIONAL NEWS DIGEST

Rand's slide continues

The rand continued its slide against the dollar yesterday but later recovered some of its losses as speculation grew of another increase in interest rates. Mr Chris Stals, the governor of the Reserve Bank, warned last week that he was prepared to sanction an interest rate increase to stem the decline in the rand. He last raised interest rates, by 1 per cent to 16 per cent, in late April.

The rand's weakness yesterday was attributed by dealers to the sharp fall in gold and foreign currency reserves during July. Total reserves fell nearly 8 per cent to R10.88bn ($2.5bn), with foreign currency holdings dropping 17 per cent to R3.84bn. The Reserve Bank has again been active in the market this week.

After dipping R0.05 against the dollar in early trading, the rand clawed back some of its losses to close in Johannesburg at R4.51, just R0.05 short of its all-time low.

The Johannesburg Stock Exchange, which will be closed today for a public holiday, predictably suffered from the interest rate speculation, with the all share index falling 59 points, or nearly 1 per cent, to close at 6662. *Roger Matthews, Johannesburg*

Mubarak in Saudi Arabia

Egyptian president Hosni Mubarak made a surprise visit to Saudi Arabia yesterday where he held talks with King Fahd on ways to jump-start the stalled Middle East peace process, officials said. Saudi Crown Prince Abdallah ibn Abdel Aziz and Prince Sultan, the defence minister, attended the talks on "bilateral relations and the situation on Arab, Islamic and international scenes," the official Saudi news agency SPA said. King Fahd and Crown Prince Abdallah greeted Mr Mubarak at the airport in Jeddah in western Saudi Arabia. The Egyptian president was accompanied by Mr Amr Moussa, foreign minister, and Mr Safwat al-Sharif, information minister, SPA said. The two leaders examined "ways to push forward the peace process in the Middle East, bilateral co-operation and situation in the Gulf region," an Egyptian diplomat said.

Mr Assad, backed by Mr Mubarak, rejected the resumption of peace talks with Israel on the basis of first resolving the issue of Lebanon, where Israel and Syria both have troops stationed. *AFP, Jeddah*

Ruling on Lebanon poll law

Lebanon's Constitutional Council ruled yesterday a controversial new electoral law was unconstitutional, almost certainly delaying the country's second parliamentary election in nearly a quarter-century. The law, which redraws electoral boundaries, was adopted by parliament on July 11. Rightwing Maronite Catholics, the largest Christian sect which for decades held power, complained that the law was designed to reduce their political influence. Some Moslems also opposed it.

A council statement said the law violated "the principle of equality".

Media reports speculated that the elections for a new 128-member parliament, scheduled to take place on August 18, could be postponed by as much as eight months.

But Mr Rafik Hariri, the prime minister and a Sunni Moslem, said the delay would be "for a short and limited period to prepare a new electoral law formula."

The elections are not expected to bring any policy changes. *AP, Beirut*

LEGAL NOTICES

In the High Court of Justice (In England) Chancery Division Companies Court

IN THE MATTER OF PREMIUM LIFE ASSURANCE COMPANY LIMITED and IN THE MATTER OF HAMBRO ASSURED PLC and IN THE MATTER OF THE INSURANCE COMPANIES ACT 1982

INSOLVENCY ACT 1986
1ST STOP D.I.Y. LIMITED

THE INSOLVENCY ACT 1986
NAME OF COMPANY: EUROPE ON-LINE (LONDON) LIMITED (IN LIQUIDATION)

PUBLIC NOTICES

SECTION 8 WATER INDUSTRY ACT 1991
ENVIRO-LOGIC LIMITED

US expects to stem decline in tourism

By Nancy Dunne in Washington

Travel to the US is expected to grow by 3 to 4 per cent a year over the next four years compared with a decline of 3 per cent in 1995, according to figures issued by the US Commerce Department.

For several years France has led the world in the number of arrivals from abroad, with the US ranking as number two. Last year France remained at the top of the league but the US was overtaken by Spain, which has surged up the ranks on the back of the euccessful Barcelona Olympics in 1992 and a big overseas advertising budget. Tourism in the US has euffered from the poor economies in Canada and Mexico, which together have previously accounted for up to 52 per cent of arrivals. The department believes these markets are "recuperating from devastating decreases" in 1994 and 1995.

In addition, Ottawa has a new public-private organisation urging Canadians to spend their holidays at home. This has accompanied a fall in the number of Mexican travellers, s trend which is expected to continue through 1997.

The department expects steady growth of between 3 and 4 per cent in the number of visitors from Europe; a 9 per cent increase from South American countries, particularly Brazil and Venezuela; and double digit growth from Asia, with notably high increases in the number of travellers from South Korea.

Tourism has been one of the bright spots in the massive US trade deficit. Last year it contributed nearly $80bn to the US economy, supporting about 1m jobs. However, the industry'a future will rest more with the private sector than in the past.

The hudget-cutting Republican Congress abolished the US Travel and Tourism Administration, cutting the staff from 96 to 13. All that remains is an Office of Tourism Industry, designated to work on policy and research.

Although the Commerce Department is predicting a record-breaking 48m international arrivals in 1998, it remains concerned ebout lost market share. This, said Mr Stuart Eizenstat, commerce trade under-secretary, is "a warning sign that could point to fewer arrivals, lower tourism expenditures and e lower trade eurplus".

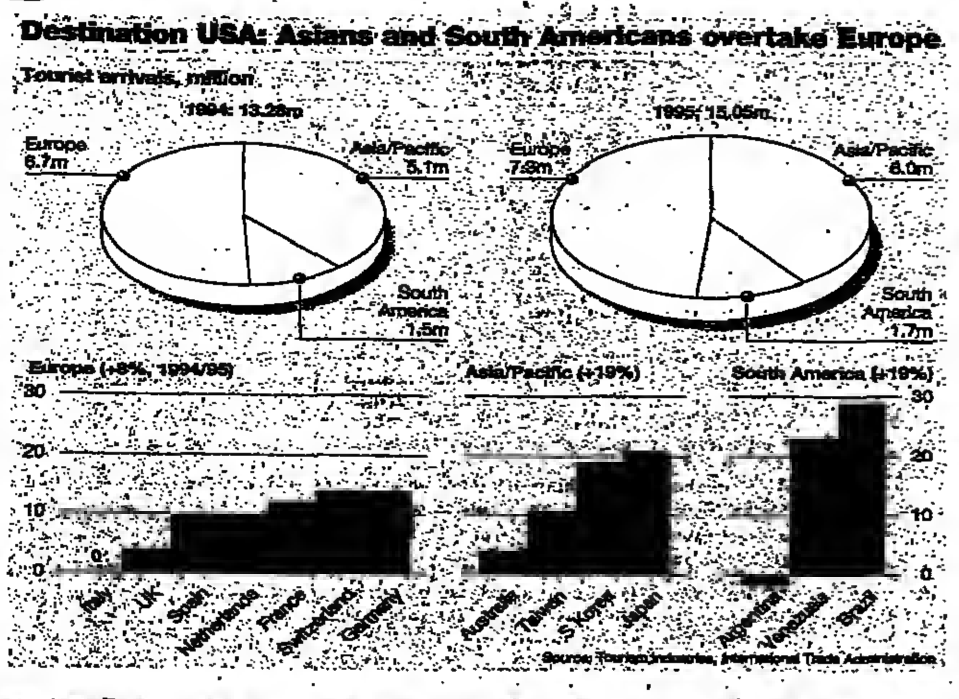
New tourist destinations – such as South Africa, Vietnam and the beaches of Thailand – are already providing a challenge. "Last year's $19.5bn surplus will decrease in future unless aggressive promotion is undertaken," the department said.

It has initiated a number of programmes with the private eector to support the tourism sector. There is also a Vise Waiver Pilot Programme which allows citizens of 23 countries to enter the US as tourists for up to 90 days without applying for visas. The scheme expires at the end of September, but is expected to be renewed for two years. South Korea is a significant target.

About 1m South Korean travellers are expected to visit the US in 1998. The Commerce Department hopes to re-invigorate its Japan 2000 initiative, designed to double tourism between the two countries by the end of the decade. Japanese tourists contributed $13.1bn of the travel trade surplus in 1995.

The US is providing help to boost tourism in regions recovering from war. On a Croatian business mission, US companies signed more than $1bn in contracts, including an agreement in principle for a $5m contract for Networld of the US to provide marketing and operational assistance to the Croatian tourism office in the US .

The Trade Policy Council, an inter-agency committee, has been created to co-ordinate federal policies.



King Deer vows to rule in cashmere

Tony Walker on the ambitions of a Chinese producer of the so-called 'soft gold'

Mr Lin Xuan, vice-president of the King Deer Cashmere Gronp in Inner Mongolia, could not be accused of thinking small. "We would like," he says, "to be king of the cashmere suppliers in the world."

The group, established as a township and village enterprise in 1986 with capital of less than $1,000, is not doing badly in its efforts to straddle the world's cashmere markets.

Indeed, the enterprise is a good example of the speed with which small co-operatively-owned ventures have mushroomed across China, underpinning the country's economic transformation.

In the decade since King Deer was launched, it has increased production of processed cashmere and finished products to 1,300 tonnes, or approximately one-sixth of world output. China produces 5,000 tonnes annually, or more than half the world's cashmere, most of it provided by Inner Mongolia goatherds ranging on the steppes.

Initial modest investment has grown to Yn1.15bn ($138m) and 6,800 workers are employed. Mr Liu says growth would be even faster if the authorities resolved difficulties over property rights: the founders of King Deer are not deemed the owners of the enterprise.

Under China's fuzzy ownership system, the company is regarded as a co-operative controlled hy the state, in this case Baotou Municipality in Inner Mongolia.

The anthorities are under pressure to clarify the ownership issue.

However, Beijing is having considerable difficulty in arriving at a formula thet would on the one hand reward founders of businesses and at the same time ensure the state was compensated for its role in assisting in the hirth of these enterprises.

Mr Liu does not mince words in criticism of the slow speed at which the property rights question is being resolved. "It's a real prohlem. You can't avoid it," he says.

"If we don't deal with it, it will sap enthusiasm for further expansion. We would definitely expand more quickly."

The company'e ambitions to secure a stock market listing on one of China's two stock exchanges are being frustrated, for example, because of uncertainty over the ownership issue.

King Deer's continuing strong performance provides an interesting contrast with that of Erdos, a state-controlled cashmere producer whose shares were listed in Shanghai last year. Erdos, which is less market-oriented than King Deer, has performed indifferently and its share price has languished.

Among factors advanced by Mr Lin for his company's success is that it bas teamed up with Dawson International of the UK, ooe of the world's leaders in the production of fine cashmere. Dawson brands include Ballantyne and Pringle.

Dawson has a 25 per cent interest in the company and is providing technical and marketing assistance. Mr Christian Murphy, China Development Maneger for Dawson's, believes that King Deer has considerable potential to improve the quality of its finished garments and processed cashmere which is exported to factories in the UK.

Dawsoo International is installing its own specially developed "de-hairing" machines in Baoton to bring cashmere fibre for export up to standards demanded in the west. Mr Murphy has no doubt that cashmere's future is assured and expects demand internationally to grow.

"In terms of versatility and style it is an unrivalled product in the hosiery business," he says. "If you want a product that is stylish and warm, it is unbeatable."

Chinese consumers are also becoming significant purchasers of cashmere products.

In the past, demand domestically was almost non-existent but now a growing middle class in China's chilly northern cities is buying more of the "soft gold", as cashmere is known colloquially in China.

King Deer's domestic sales jumped to Yn250m in 1995 from Yn90m the previous year.

"The domestic market is picking up because consumers now have a better understanding of cashmere's qualities," says Mr Liu.

A goatherd tends his animals in China, which produces half the world's cashmere Panos Pictures

Chinese anthorities also appear to be taking a closer interest in China'e dominance of the world cashmere bueiness and are seeking ways to increase returns to processors.

The China National Textile Council (CNTC) recently called for a cut in exports of raw cashmere and a boost in prodnction of finished products.

An official of CNTC was quoted as saying tbat by shifting emphasis from raw cashmere to cloth and clothing, China would donble foreign exchange earnings to about Yn3bn annually.

The official noted that one tonne of raw cashmere sells for less than $60,000 but cloth made with cashmere could be sold for $300,000 e tonne.

He also complained about cut-throat competition among producers who were underselling each other on exports, depressing the international market in the process.

Cashmere prices heve been on a roller-coaster ride in the past year, with international demand proving sensitive to price increases. The price of a kilogram of "de-haired" cashmere, the third stage of processing which also includes sorting and scouring, has fluctuated between about $90-$200 per kg.

China, as the world'e largest producer of both raw cashmere and cashmere prodncts, exports 2,000 tonnes of raw cashmere and cashmere yarn. Some 2,000 cashmere enterprises are turning out 4m items using about 6,000 tonnes of cashmere. China imports raw cashmere from places sucb as Mongolia to supplement its own stocks.

King Deer turns out 1m items of apparel annually. Mr Liu expects it to take another three to five years for the company to be recognised as king of the world'e cashmere suppliers. Judging by the speed at which it has travelled in the past decade, such an aim would not seem to be beyond the company's grasp.

Kazakhstan opens third oil producer to foreign investors

By Sander Thoenes in Almaty

Kazakhstan is looking for investors to revive production at one of its largest oilfields just as two similar tenders have run into difficulties.

Ms Maira Nurbayeva, deputy projects director at the Kazakh oil and gas ministry, said three foreign oil companies were considering a bid on the Uzen field, about 150km east of the Caspian Sea, which has estimated recoverable reserves of between 85m and 150m tonnes of crude.

Uzenmunaigaz, the state company which holds the licence to the field, is the third large Kazakh oil producer opened to foreign investors this year.

But negotiations on two other leading oil producers have hit snags, with talks on the purchase of Yuzhneftegaz stumbling this week and bida on Aktyubinskneft twice facing delays. Bids for Uzen are due on August 31.

"The reserves are big but production is small," said Ms Nurbayeva.

"This field has a lot of problems and requires rather large investments." Ms Nurbayeva said Uzenmunaigaz needed at least $800m in investments to rehabilitate the most promising of the existing 4,000 wells. The World Bank in July approved a $109m loan to help reverse a sharp decline in production at the field from 16m tonnes in 1976 to 2.7m tonnes in 1995.

'We have made it clear that companies which have only $20m to spare should not bother'

The oil ministry has been opposed to the open privatisation tenders held for Yuzhneftegaz and Aktyubinskneft and opted for secret negotiations on Uzen. "We have not decided yet whether we want prodnction-sharing, a joint venture or a partnership," Ms Nurbayeva said.

"But we need aerious money. We have made it clear that companies which have only $20m to spare should not bother."

Only half of the wells are open and many have equipment dating since the field was developed in 1965. Uzenmunaigaz employs 13,000 people.

The oil has a high wax content but is near a pipeline to Russia which promises to offer more room for Kazakh oil following agreement with Yukos, a Russian oil producer.

The tender for Yuzhneftegaz ran into difficulty this week shortly after Hurricane Hydrocarbons, a Canadian company, announced it had agreed on the purchase. Hurricane shares rose 45 per cent after the announcement on Tuesday but Kazakh officials said "serious issues" had yet to be solved.

Mr Bijan Sepasy, executive vice-president of the US-Kazakh Business Council, said Kazakh officials had suddenly thrown up new obstacles and demanded additional sums. Mr Naurzhan Bygymbetov, deputy chairman of the State Property Committee which issued the tender, denied the committee had demanded additional cash bnt said tbe government differed with Hurricane on the payment schedule. Hurricane had been outbid by Samson, a US oil producer, but Samson dropped out last month over similar differences.

Exxon and Texaco may bid on the Aktyubinskneft oil production association in north-west Kazakhstan but the bidding deadline has been delayed twice, until Sept 15, to encourage additional bidders.

According to the World Bank, Kazakhstan's oil sector accounts for about 22 per cent of the country's exports and has proven reserves of 2bn tonnes, with good prospects for discovery of at least as much in the Caspian Sea basin. Prodnction has dropped to 17m tonnes in 1996 but the bank predicts production will double before the turn of the century, netting the governmeot $900m per year.

"The thing that will turn the Kazakh oil industry around in the short run is not a western oil firm drilling new wells, but Kazakh oil companies rehabilitating old fields," said Mr Stephen O'Sullivan, a consultant for MC Securities.

WORLD TRADE NEWS DIGEST

Kodak seeks probe of Fuji

Eastman Kodak company has filed a complaint with tbe Japan Fair Trade Commission, the agency responsible for enforcing Japan's anti-monopoly law, requesting the agency to investigate "anti-competitive" practices by Kodak's main international rival, Fuji of Japan.

Kodak say the evidence it has submitted is only a small part of its argument to support its market access case against the Japanese government. Further evidence supporting this allegation will be taken by Kodak and the US government to the World Trade Organisation, where the two sides will bold consultations before sending the case on to a dispute settlement panel.

Fuji argues that Kodak's difficulty in the Japanese market is the result of the company's mismanagement. It says that Kodak ignored the Japanese market until the 1984 Olympics, and since that time has followed Fuji's lead in the introduction of innovative prodncts such as high resolution colour film and disposable cameras. Fuji also claims that Kodak's small sbare of the Japanese market – 10 per cent – is exactly equal to Fuji's share of the market in the US. *Stella Burch, Washington*

Deal for China credit group

The People's Insurance (Property) Company of China has arranged its first export credit. The newly-established credit agency will back a $630m power project in Pakistan in whicb a Chinese power company will be responsible for the civil works. PICC Property, a subsidiary of China's giant People's Insurance Company, has provided guarantees for $80m of the financing to be arranged by the Bank of China. Repayment terms are over 10 years with three years' grace.

PICC Property was formed last month in a restructuring of the People's Insurance company. China is becoming more active in providing export credits as its companies seek to compete globally. General Electric of the US and the Harbin Power Engineering company of north China have teamed up to build the 586MW thermal power plant. Harbin Power's sbare of the contract is worth $140m. *Tony Wolker, Beijing*

Vietnam-Macao air accord

Vietnam and the Portuguese colooy of Macao bave signed an air services agreement, paving the way for regular commercial flights, the Portuguese news agency Lusa said yesterday. Earlier this month it was reported thet Pacific Airlines, part-owned by flag-carrier Vietnam Airlines, was planning to start flying a route from the central coastal city of Danang to Macao, with Ho Chi Minh City to Macao also under consideratioo. Macao, on the South China Sea coast about 60km west of Hong Kong, opened an international airport in December last year. Lusa said Macao would sign an air services agreement with Germany on Sept 5. *Jeremy Grant, Hanoi*

$595m Saudi deal approved

The US Export Import Bank bas approved $595.5m in export credit insurance over five years for the sale of power equipment to Saudi Arabia. It is one of the largest policies ever written by the bank and the first time Eximbank has epproved a multi-year contract.

The policy will cover only two types of political risk – political violence and export and import restrictions. Commercial risks of default are not being insured.

The supplier is the General Electric Corporation of Fairfield, Coonecticut, contracted to deliver 16 gas turbines, four steam turbines and 20 geoerators to the Saudi Consolidated Electric Company. *Stella Burch*

■ Ansaldo Energia of Italy has won the contract to complete the Daule Peripa hydroelectric power plant in Ecuador, it said yesterday. The contract for the construction of a third 71MW unit was awarded by the Commission for the Development of the Rio Guayas basin. . Ansaldo has been involved in the construction of the first two units.

The L110bn ($73m) project will be financed by Corporacion Andina de Fomento and international aid. Ansaldo Energia and Impregilo, whicb is responsible for civil works, began work on the project in 1995, with completion due in 1998. The Daule Peripa plant will become the second most important in the country providing about 10 per cent of its required energy. *Sandra Rozentol, London*

■ Grand Alliance, which includes P&O Containers of UK, NYK of Japan, NOL of Singapore and Hapag-Lloyd of Germany, bas renewed its contract with Malta Freeport for its transhipment activities, reversing an earlier decision to relocate to Gioia Tauro, the new container port in Sicily. The Malta facility, based at Marsaxlokk on the island's south coast, was viewed to be more efficient and better suited to continue handling transhipment business in the Mediterranean. *Godfrey Grima, Valletta*

NEWS: ASIA-PACIFIC

India bids to speed privatisation pace

By Tony Tassell

The Indian government has set up a panel of leading financial experts to advise it on share sales in state-controlled companies in a move which economists say signals an intention to step up its privatisation programme.

But the establishment of the Disinvestment Commission, under the chairmanship of Mr G V Ramakrishna, the former chairman of the Securities and Exchange Board, may be too late to help India meet its target of Rs50bn ($1.4bn) in privatisation revenues set in last month's budget.

At the time of the budget many economists described the target as too ambitious, casting doubts on the proposed budget deficit of 5 per cent of gross domestic product.

Mr Ramnath Iyer, a strategist with Peregrine India, said the new commission suggested the government may be serious about adopting a more "sensible" approach to disinvestment of shares in public sector companies.

Bankers say poor handling of privatisation issues has seen funds raised fall far below target for last four years. In the year to March, the government raised only about Rs3.57bn out of a target of Rs70bn.

However, Mr Iyer said the commission is only likely to take an active role in handling disinvestment issues towards the end of the current financial year. As a result, New Delhi may manage to raise only about half of the privatisation revenues targeted.

The new panel will draw up a 5 to 10 year timetable for the sell-off of government equity in public sector companies, advise on the method and timing of sales, select financial advisers and determine the extent of disinvestment of equity in each companies.

However, the director of one leading foreign brokerage in India said the new panel would just be another bureaucratic stumbling block to the sale of shares in state-owned companies.

"They do not really need this panel. They already have enough competent financial advisers and investment bankers to assist them," he said. "What would be more significant is if they adopted a serious approach to privatisation with the sale of majority stakes in companies rather than the piecemeal disinvestment process at the moment."

The panel will focus on promoting shareholdings by employees and the public. In the past, only domestic and foreign institutional investors have taken part in the partial privatisation issues.

An Indonesian daughter's burden

When Ms Megawati Sukarnoputri arrives for questioning at Jakarta's police headquarters today, her soft-spoken and unassuming manner will not remind her interrogators much of the charismatic, passionate orator who was her father and the founder of independent Indonesia.

But the reason she will be there has everything to do with him.

When less than two weeks ago thousands of people braved the wrath of the Indonesian security forces and tried to resist the government's removal of Ms Megawati's supporters from the official opposition's headquarters, this country with the fastest growing economy in south-east Asia was shaken in a way it had not been for two decades.

Ms Megawati is being called in to explain why.

The answer has much to do with the kind of country Indonesia is today and how many people, who have not benefited as much as they would have like to from its perennial growth, remember it to have been.

For modern Indonesia is as different from the Indonesia of the late President Sukarno as father is from daughter.

It was Ms Megawati's father who led Indonesia to independence in 1945 after a bloody war against Dutch colonialists. It was this that earned him the title of father of the nation. But his charisma never matched his economic policies.

Indonesia now and then

Modern Indonesia is as different from the Indonesia of the late president Sukarno as father is from daughter Megawati Sukarnoputri

"[Sukarno]is clouded in romanticism," says Ms Dewi Fortuna Anwar, political scientist at the Indonesian Institute of Sciences. "I remember when I was at university I fell in love with his character. It was like reading Che Guevara. Sukarno's nationalism put Indonesia on the world map. If he had not committed the [economic] mistakes he did he would be as great as Gandhi."

Even President Suharto's "New Order" regime, characterised by authoritarian rule, has not been able to stamp out Sukarno's legacy. Indeed, its legitimacy is still partly founded on the fact that he brought order to the political turmoil that marked the end of the Sukarno years when the founding president depended on the Indonesian Communist party as one of his pillars of support. Under Sukarno inflation was 1,000 per cent a year and interest on Indonesia's foreign debt exceeded total export revenues.

A year before his downfall, Sukarno was driven to advising a starving population to eat rats to make up for their poor diet, telling the US to "go to hell" with its aid while spending state money on building Soviet-style monuments which still mark the Jakarta skyline today.

In the aftermath of the riots that Ms Megawati is being called in to explain – which featured unprecedented looting and burning of government offices and banks – the military has again put the blame at the door of the communism that so tarnished Sukarno's politics. Communist is a label that chills the Indonesian body politic. In the aftermath of the aborted coup of 1965 that ended Sukarno's rule and brought Suharto to power to "save" Indonesia from communism, between 100,000 and half a million suspected communists were slaughtered.

Conscious of the fact that, despite this, Sukarno's popularity endures, the government – concerned that Ms Megawati may capture the vote of those disaffected with President Suharto's rule at next year's general elections – engineered her removal as leader of the opposition Indonesian Democratic party (PDI) and replaced her with its own candidate.

Mr Suharto's government has been careful not to blame Ms Megawati directly for the riots. If she is victimised further, analysts say, it will only add to her popularity, encouraging Indonesians to draw parallels between her and her father. After all, he died in 1970 under virtual house arrest imposed by Mr Suharto.

Ms Dewi notes that Indonesians who lived during the Sukarno era "have no illusions about him".

"They hate him but admire him." For those born after 1965, however, Sukarno's flamboyance, nationalism and a sense that his rule was free of corruption and collusion is a refreshing antidote to the staidness of the Suharto regime.

"Sukarno is the antithesis of Suharto," said Ms Dewi. "[The younger generation] are bored with Suharto's style. He's a solid figure but not exciting. When Sukarno spoke people would laugh, cry. Nowadays they turn on the television and see boring speeches."

But it goes further than that. There is mass support for Ms Megawati among the poor in the same way that there was for her father.

During her leadership of the PDI, she represented the only credible opposition to government within the establishment. The fact that so many Indonesians have come out to support her is a sign of a widespread desire for political change. And her questioning by the police today – perceived by her supporters as further bullying by the government – will keep tensions simmering.

Manuela Saragosa

Japan sees trade surplus fall

Japan's current account surplus fell one quarter in June as structural changes in the economy encouraged imports, but the pace of the shrinkage was not as extreme as the sharp falls of recent months, Reuter reports from Tokyo.

The finance ministry said that the current account surplus, the broadest measure of trade in goods and services, shrank 25.5 per cent from a year earlier to Y672bn ($6.2bn) in June. The surplus in merchandise trade declined 17.5 per cent from a year ago to Y953bn, the 19th straight month it has declined on a year-on-year basis. In May, the current account surplus fell by 48.4 per cent year-on-year, with a 41.1 per cent fall in the trade surplus.

The surplus for the first six months of 1996 was Y3,610bn, a fall of 34.5 per cent from the same period last year. It was the sixth straight decline for the half-year period on a year-on-year basis, and the second smallest surplus for a half-year period since Japan began tracking comparable data in 1985.

The merchandise trade surplus in the same period fell 29.8 per cent from last year to Y4,400bn, the smallest since 1985.

A continuing increase in the travel deficit – a main component of the services trade balance – helped trim the surplus.

ASIA-PACIFIC NEWS DIGEST

New economy chief in Seoul

South Korea's President Kim Young-sam named a new finance minister yesterday in a reshuffle involving six cabinet ministers. The new finance minister, Mr Han Seung-soo, who will also be the deputy prime minister in charge of the economy, replaced Mr Rha Woong-bae, a reformer who has been pushing for speedier financial liberalisation as Seoul prepares to join the OECD. Mr Rha has been criticised for failing to stop the current account deficit widening. Mr Han was formerly a trade minister.

South Korea's industrial output rose 3.8 per cent in June, the lowest growth in 28 months. The current account hit a six-month record deficit of $9.29bn in the first half of this year, against a $5.98bn shortfall in the same 1995 period. President Kim named five other new cabinet ministers, including Mr Kang Bong-gyun as information minister. *Reuter, Seoul*

Taiwan cuts key rates

Taiwan's central bank is cutting key rates to boost a slowing economy, but analysts said rate cuts would do little to boost business. The central bank announced it was cutting the rediscount rate to 5 per cent from 5.25 per cent and the rate on accommodations against secured loans to 5.375 per cent from 5.625 per cent, both effective from today.

"The priority is to keep financial and consumer price stability," the central bank governor, Mr Sheu Yuan-dong, said. The island's exports fell 6.8 per cent to $9.47bn in July from a year earlier. *Reuter, Taipei*

Australian pensions sale

Australia's federal government will go ahead with selling Commonwealth Funds Management, the government-owned pension fund management group. Mr John Fahey, finance minister, said he had indicated several "keen" bidders. CFM handles pension fund money worth A$8bn ($4bn), mainly for public servants. Its main clients include Australia Post and Telstra, the government-owned telecom group. *Nikki Tait, Sydney*

■ Australia's jobless rate rose to 8.5 per cent in June (8.3 per cent the previous month), the latest statistic seeming to support the contention the economy is growing only modestly. *Nikki Tait*

New Asian bank mooted

An Asian-based version of the Bank for International Settlements could exist by the year 2000, Mr Bernie Fraser, outgoing Reserve Bank of Australia governor, said in Melbourne yesterday. "I would not be surprised to see it within the next three to five years," he added. The Bank remained keen to encourage the idea. "There's a lot of support within the bank for pressing ahead with the initiative."

Mr Fraser first advocated an institution to act as a forum for co-operation among central banks in the Asia-Pacific region last September. Then, he noted that the Basle-based Bank had become a main forum for talks between western central bankers. Since then, Asian central bankers had met regularly, with tangible moves towards greater co-operation recently. Mr Fraser has said he will stand down as RBA governor next month, when his seven-year term expires. His replacement has not yet been named. *Nikki Tait and agencies*

Sri Lanka may reclaim companies

By Amal Jayasinghe in Colombo

Sri Lanka yesterday introduced legislation to take over privatised state enterprises where new owners have failed to manage the businesses satisfactorily.

The laws are aimed at protecting employees of at least six companies in which the assets had been stripped, forcing the employees out of work, Mr G.L. Peiris, justice minister, said. He said in some cases the government would seek compensation from the owners if they were found to have sold off the company's assets and made more money than they spent on buying the enterprise.

Mr Peiris said negotiations had started with three of the companies to work out a rescue package to ensure the workers got a fair deal. "This law will be applied only in the event of the main purpose of the enterprise having failed and where workers have been thrown on the road."

The companies concerned had been sold by the previous government. The present government of President Chandrika Kumaratunga had begun an ambitious privatisation plan and hoped to raise Rs21bn ($382m) before the end of this year, but had realised just Rs1bn so far. Private analysts said that although the proposed law was aimed at providing relief to workers in the six companies, the move could alarm potential investors because the law could be subject to interpretation.

● Tamil Tiger guerrillas seized nearly $50m worth of arms and ammunition, including long-range artillery, when they attacked an army garrison where more than 700 soldiers were killed last month, parliament was told yesterday. Tamil separatists had begun using the weapons taken from the military base at Mullaitivu against government forces, Mr Jayaleth Jayawardena, an opposition MP said. The loss of equipment, which the government did not deny, accounted for about 7 per cent of this year's Rs38bn defence budget.

Hong Kong's Indians face a future without their roots

Fears of 1997 are prompting hectic activity within the community, with money moving offshore. Louise Lucas reports

Mr Kalbir Parmar watches his curries simmer for the last time in the tiny Hong Kong restaurant that bears his name. Next month, he will quit the territory, squeezed by the uncertainties produced by the handover of sovereignty to China next year.

"If there was no 1997, there would be no need to go," he says.

"But we don't know what's coming, what rules will change. So why spend HK$1m [$129,000] renovating, when the rules might change again?"

His sentiments are percolating through the territory's 22,600-strong Indian community, specifically among those, estimated by the government at 8,000, who will find themselves stateless after next July.

Born in the crown colony of Hong Kong, and with a history that pre-dates Britain's seizure, they assumed full British rights but now feel they must rely on watered-down British National (Overseas) passports and a verbal assurance that Britain will give shelter to them, along with other ethnic minorities, if they are forced to leave Hong Kong.

Mr Ravi Gidumal, who runs a trading business and is actively lobbying for British passports for ethnic minorities through the Indian Resources Group, says: "We've always assumed our roots were in Hong Kong and that's British Hong Kong. We don't have roots in any other country; to be facing a future without roots makes you indecisive.

"I've made the decision to stay in Hong Kong and I'm going to make a go of it. But there's always that bit of indecision: should I make that extra investment, pursue that viable business venture, when there's that uncertainty?"

These fears have prompted a flurry of activity: women are shifting their jewellery overseas, often depositing jewels in safety boxes in Singapore, and family businesses are slimming down.

The intention is to leave one member to run the operation and earn money, while the rest make new homes for themselves in India, Britain or America, depending where they can obtain residency. Funds are increasingly being channelled offshore, often into non-resident Indian accounts.

"A lot of people have moved money offshore over the last few years; whether it's directly related to those who do not have valid citizenship or just general concerns over the future of Hong Kong, I cannot say," says Mr Kishore Sakhrani, chairman of the Indian Resources Group and himself a money manager.

While assets are being spirited away, it will be harder to erase the imprint of the Indian community whose earliest merchants, like their British counterparts, engaged in trading opium.

Hong Kong University, the territory's oldest and premier tertiary college, was originally built at the expense of Hormusjee Naorjee Mody, a Parsee merchant later knighted, whose name lingers on in Kowloon's Mody Road, reflecting his huge investment in Kowloon when it was a virtual wasteland.

In keeping with the tradition set last century, many of those who have arrived from the Indian sub-continent in more recent years, such as the wave arriving following the Indian-Pakistan partition of 1947, have established themselves in trade.

A survey conducted 10 years ago showed Indians controlled 10 per cent of trade; even given today's figures (total trade last year stood at HK$1,344bn), the Indian Chamber of Commerce says the same proportion still holds true.

All this inspires much confidence among Indians, many of whom are fluent in the local dialect of Cantonese, that their future under Chinese rule will be secured.

"Whoever takes over Hong Kong is not going to be foolish enough to throw these people out; after all, they made Hong Kong what it is today," says Mr Bob Harilela.

He is one of six brothers and one sister who control a sizeable portfolio of hotels, real estate, travel agencies, restaurants and export operations, and whose lavish family celebrations are the stuff of the society pages.

But it is a confidence that is always undercut by uncertainty.

As Mr Parmar boards his aircraft for New Delhi next month, Mr Gidumal will still be musing over the essential conundrum: "Ultimately it comes down to one thing. We are locals today and foreigners tomorrow, and a foreigner's perspective is always different from a local's. I have been told I will be a foreigner in Hong Kong."

Even the wealthy Harilela clan is not without its own concerns. Mr Harilela, like his brothers, has secured a British passport under the selection scheme that offered 50,000 Hong Kong households nationality, but his Hong Kong-born son is not so lucky. "My son only speaks English. He can't go to India, they'd laugh at him," he says.

City urged to speed up plans for Emu

By Gillian Tett and George Graham

London's top investment banks are warning that the City must urgently speed up its preparations for European Monetary Union if it is to keep its competitive edge – whether or not the UK takes part.

If action is not taken by the end of this year, the London Investment Banking Association warns in a report to be published today, it may be too late to get the infrastructure in place to handle trading in euro securities by the scheduled start of Emu at the beginning of 1999. "Even if the UK does not participate in Emu, there are still significant competitive challenges for UK settlement and payment arrangements," the report says.

"It is therefore important that the central City facilities anticipate and plan for Emu regardless of the continuing uncertainty over the UK's participation."

The Liba committee urges the UK's Chaps system for cash transfers to develop a facility for making payments in euros.

"We are not convinced that the euro can simply be treated as an additional foreign currency, accommodated through correspondent banking arrangements, without raising potential competitive implications for the City," Liba says. "Unlike any other foreign currency, the euro would, even as a non-participant, represent the potential – perhaps likely – future currency of the UK."

The report warns that such big changes to settlement systems will require at least two years to implement.

The report urges the Bank of England to establish an industry consultative group and take the lead in co-ordinating the way securities are redenominated in euros.

The Bank of England yesterday said: "We much welcome this demonstration of the private sector's thinking ahead to the implications of Emu whether the UK is in or out."

Mr Matthew Elderfield of Liba said the committee had wanted to convey a sense of urgency.

"If we don't start soon it means that we may not be ready in time and it will be very costly – and the people who will suffer will be the smaller players," he said.

The Liba report recommends:
- ● the European Monetary Institute must decide quickly on rules for rounding amounts converted into euros.
- ● the Treasury must consult and decide on how to redenominate gilts
- ● the Crest electronic settlement system must develop intelligent converters to bundle share trades
- ● companies must decide how they will redenominate their bonds
- ● the stock exchange should consider whether it needs to change its listing rules to allow redenomination into euros.

Credibility Crisis, Page 10

Labour aims to change laws on party funding

By John Kampfner, Chief Political Correspondent

The Labour party has vowed to pass new laws introducing state-funding for political parties in the lifetime of the next parliament if a committee reviewing standards in public life recommends such a move.

Giving his clearest commitment yet to a radical change, Mr Robin Cook, the foreign secretary for the opposition Labour party, said Labour would remove the "block" which has prevented the standards committee, chaired by Lord Nolan, looking into the issue before the general election. Plans for a report on the issue were shelved last year after the government made clear it did not want such an investigation at such a sensitive time.

Mr Cook was launching Labour's latest attack on Conservative funding and the ability of the Tories to turn a £19m ($29.45m) overdraft into a £20m surplus in three years to be used for the election campaign.

"The public is entitled to know who is bankrolling the Tory campaign to get their votes," Mr Cook said.

Labour would publish details of all donations of more than £5,000 to its own coffers by the time of its conference in Blackpool at the start of October.

Mr Cook set out four reforms proposed by Labour
- ● every political party must declare the source of all donations over £5,000
- ● no company shall make a political donation without first balloting shareholders to set up a political fund
- ● any shareholder must have the right to opt out of their share of a political fund
- ● no political party shall accept donations from foreign sources.

The Nolan committee was established by Mr John Major, the prime minister, in October 1992 to look into the probity of political life.

Mr Cook said he did not want to produce a "league table" of commitments for a Labour government, but added: "Our own belief is that, properly examined, the case for state funding will be held by the Nolan committee. I hope we would act on this in the lifetime of the next parliament."

Labour believes accusations of "sleaze" and secrecy in the way the Tories conduct their business reinforces public perceptions of cash for favours in government.

Blair laughs off MP's criticism

Leader's office says policy differences 'grossly exaggerated'

The Labour party yesterday conducted a skilful damage limitation exercise to stem the latest challenge to the authority of Mr Tony Blair, the party leader. Senior shadow cabinet members said a line had been drawn under criticisms made by Ms Clare Short, the former transport spokeswoman. No disciplinary action would be taken.

Ms Short and Mr Blair's office issued statements denying policy differences and making clear they had been "grossly exaggerated". They carefully skirted around her claim that Mr Blair was guided by "dark forces" who had turned him from "fresh, principled" leader into a "macho man".

Mr Blair was said to have dismissed the coverage of Ms Short's interview in The New Statesman magazine as typical of the "August silly season" when news is usually in short supply. "This will pass the electorate by," said an aide. Mr Robin Cook, the shadow foreign secretary, said: "We are putting an end to this summer hiccup because there is no continuing policy argument. We regard the matter now as closed."

While many MPs had made such criticisms in private, she the first to go public was Mr Richard Burden, MP for Birmingham Northfield, who last August denounced what he said was the "autocratic" behaviour of the leader's "kitchen cabinet". Mr Blair rode out the storm and had no difficulty refocusing media attention on other issues.

A year on, however, the context is different. The general election is months away and Labour's lead in the opinion polls appears gradually to be declining. , although there is considerable inconsistency in the findings. As the tension has increased, so has the level of resentment among Labour MPs over their perceived powerlessness.

Last month's shadow cabinet elections reinforced their view. Ms Short's standing rose markedly – to third place – even though her high support was attributed at least in part to a rule stipulating that at least four votes must be cast for women candidates. Hours after the polling closed, Mr Blair had demoted her to the overseas development portfolio.

Given her volatile – some would say refreshingly unconstrained – temperament, it seemed inconceivable that Ms Short would not bare her soul in public over the apparent slight. In the past she has tended to follow controversial utterances with statements partially retracting them. Yesterday was no different.

Yet it stretches the imagination for her team and Mr Blair's to suggest her remarks were exaggerated especially as The New Statesman, where they appeared, has been refashioned as a loyal but critical voice of New Labour. Furthermore, the hypersensitivity to the media may also be backfiring. A senior Labour official yesterday wrote to BBC executives complaining about coverage of the row.

The problems over Ms Short are compounded by the relative fortunes of the two main parties. Labour strategists now await each opinion poll with trepidation. Mr Blair has always made clear that the 30-point to 40-point leads registered in opinion polls last year were unsustainable.

John Kampfner

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Paul Hackett

Short shrift: Senior Labour party figures say Clare Short will not face disciplinary action

Competition law reforms could crush cartels

By Robert Rice, Legal Correspondent

The government yesterday signalled a crackdown on cartels from next year with the publication of a draft bill for reform of competition law.

The bill, which is expected to be included in the Queen's Speech, will outlaw price-fixing, market-sharing and bid-rigging cartels.

It will also strengthen the powers of the director-general of fair trading to deal with abuses of market power, such as driving rivals out of the market by predatory pricing.

Companies which enter into anti-competitive agreements face tough fines of up to 10 per cent of UK turnover or a minimum of £350,000. But directors will not automatically be subject to fines as first planned.

The reform of restrictive practices law, which was first promised by the Conservative government in its 1987 election manifesto, will bring the UK's regime into line with European competition rules. Launching the bill, Mr Ian Lang, the trade and industry secretary, said competition was essential in creating an enterprise economy.

But it "must be underpinned by an effective system of competition law". "Existing competition law is in need of reform," he said.

The draft bill follows very closely the green paper published in March. Responses to that consultation paper showed widespread support from commerce and industry for the introduction of a prohibition of anti-competitive agreements. As a result the government has decided to move straight to a draft bill without publishing a white paper.

However, Mr Lang stressed the bill was "by no means in final shape".

The purpose of publishing it now was to give business and consumers an opportunity to comment on the drafting of the legislation before it was laid before parliament.

Investigation and enforcement of the new law will fall to the director-general of fair trading.

Annual reports reveal FT-SE 100 bosses 'generous' incentives

Directors' pay outstrips inflation

By William Lewis

The earnings of top executives of FT-SE 100 companies increased by more than twice the level of inflation last year, and nearly half of these executives are now entitled to participate in both share option and long term incentive schemes.

A report published today by Monks Partnership, the executive pay consultancy, discloses that in 1995 the chief executives and full-time chairmen of FT-SE 100 companies received a 7.8 per cent increase in median total earnings – basic salary plus annual cash bonus.

Their median basic salaries increased by 4.5 per cent, less than the 7 per cent rises for finance directors of FT-SE 100 companies and 7.6 per cent for divisional directors. Inflation in 1995 was 3.5 per cent and in June this year 2.1 per cent.

The Monks report, covering all FT-SE 100 companies, also discloses that 46 companies now allow their directors to participate in a long-term incentive plan (L-Tip) as well as a share option scheme. The Greenbury committee's report on executive pay, some of which has been implemented into the stock exchange's rule book, recommended that companies should consider replacing share options with an L-Tip, and warned that "total rewards potentially available should not be excessive". However, only 29 companies have scrapped share options for their directors, while 75 companies have, or are about to have, L-Tips. Awards available to directors through L-Tips, if targets are met, range from shares worth more than one year's salary to shares worth less than 25 per cent of salary.

The Monks survey is based on information disclosed in companies' annual reports as at the end of June 1996. Following publication of the Greenbury report in July 1995, companies have been forced to reveal more about directors' pay, enabling Monks to compare the pay of various board posts.

Overall, the median total earnings of full-time chairmen and chief executives increased to £501,000 last year. The median total earnings of finance directors rose by 7 per cent to £270,000. Divisional directors saw their median total earnings increase by 7.6 per cent to £275,000.

Directors of minerals, oil and gas companies received the largest increase in total earnings last year – 15.1 per cent. Directors of utilities in the FT-SE 100, which have been criticised for their remuneration practices, saw their median total earnings go up by 7.9 per cent.

Monks' report also identifies 14 FT-SE 100 companies which have made some or all of their directors' annual bonuses pensionable, contrary to the Greenbury committee's recommendation.

UK NEWS DIGEST

Eurofighter costs increase

The cost to Britain of the four-nation Eurofighter programme has risen by £124m ($193.44m) in the past year and the fighter aircraft will be a further year late despite efforts to resolve technical difficulties.

According to the National Audit Office, the UK's share of Eurofighter development will now cost £4.1bn, which is £1.25bn above the original estimate. The cost to the UK of developing and manufacturing Eurofighter is now likely to be £15.4bn, says the government spending watchdog.

The UK's development costs jumped again following a decision by the Ministry of Defence to fit the Eurofighter with cruise missiles and more advanced air-to-air missiles. Delays to production have arisen partly because extra time has been needed to resolve technical problems and because of procurement lags by the four partner governments, Britain, Germany, Italy and Spain. The first aircraft is now likely to be delivered to the Royal Air Force at the end of 2001. *Bernard Gray, London*

■ NORTHERN IRELAND

Nationalists retaliate on marches

Tension rose in Northern Ireland's second city of Londonderry last night after nationalists announced they would hold weekend marches at the same time as rival Protestant groups in spite of appeals for restraint from churchmen and politicians. Mr Donnacha MacNiallais, the residents' spokesman, said the march was a way to channel the anger of the nationalist community. The decision followed an order on Wednesday by Sir Patrick Mayhew, Northern Ireland secretary, preventing Apprentice Boys from parading along a section of the city walls overlooking the Roman Catholic Bogside district.

In a meeting yesterday with unionist representatives in Belfast Sir Patrick made clear the move had not been determined by a need to redress the balance following nationalist outrage over the last-minute U-turn by the RUC, the Northern Ireland police force, last month allowing the Orange Order to march past a Catholic estate in Portadown.

Meanwhile Mackie International, the Belfast-based precision engineering company, yesterday confirmed plans to build a new £13.6m ($21.21m) foundry in west Belfast. The project is being funded partly with a £4.08m grant from Northern Ireland's Industrial Development Board and by using about half the £6.2m proceeds of the company's recent rights issue. *Financial Times Reporters*

■ SPORTS BROADCASTING

Five-nations rugby in doubt

The future of the Five Nations international rugby union tournament remains in doubt after representatives of Wales, Ireland, France and Scotland yesterday rejected a compromise proposal from the English Rugby Football Union over the issue of broadcasting rights.

Last month England were thrown out of the championship after agreeing to their own £87m ($135.72m) television deal with British Sky Broadcasting, the satellite broadcaster. Previously the five countries had negotiated the sale of television rights jointly, but England struck its own deal because it wanted a larger share of TV revenues. *Patrick Harverson, London*

■ INVESTIGATION

Facia chairman's office raided

The Serious Fraud Office has launched an investigation into the transfer of at least £10m ($15.6m) from the collapsed Facia retail group. Yesterday the SFO and South Yorkshire police raided five premises, including the offices of Mr Stephen Hinchliffe, Facia's former chairman. No arrests were made.

The SFO began its investigation on August 1 on the back of a report carried out for KPMG and passed to South Yorkshire police. Investigations centre on interest-free loans provided by Facia to companies owned personally by Mr Hinchliffe. *Financial Times Reporters*

■ FUND MANAGEMENT

Credit Suisse settles lawsuit

Credit Suisse Asset Management has settled its lawsuit against ten fund managers who defected last year to rival HSBC James Capel. CS had won an injunction barring the ten from approaching former clients, but around 750 clients with portfolios totalling around £250m nevertheless moved to James Capel.

The settlement is understood to involve a payment to CS of about £2.5m, equivalent to 1 per cent of the funds involved. That would match the incentive fee CS had alleged the ten fund managers were offered by Capel if they persuaded their customers to follow them – an allegation Capel denied. *George Graham, London*

■ TAKEOVER LAWYERS

Smaller firms increase work share

Linklaters & Paines, the City of London law firm, has emerged as the leading legal adviser to companies involved in UK public takeovers during the first six months of 1996. Linklaters was ranked first for its role in 10 deals worth £13.17bn ($20.43bn). Slaughter and May was second with 13 deals worth £11.06bn and Freshfields third with eight deals worth £6.02bn.

But the supremacy of these three firms, which have traditionally dominated UK public company takeover work, could soon be under threat from smaller firms, according to Acquisitions Monthly magazine, which ranks law firms by the value of the takeovers in which they acted as advisers. Firms with smaller corporate finance departments are increasingly competing for, and winning, high fee-earning corporate finance work, it says. *Robert Rice, London*

MANAGEMENT

Michael Cassell examines the role of interim managers and what they can offer companies

Troubleshooter for hire

"I like to think of them as being parachuted into alien territory, their skills strapped to their belt, ready to hit the ground running," says Richard Foot of his crack team of interim managers.

Foot leads the interim management operation at PA Consulting Group and is convinced that, after a slow start – 90 per cent of companies have never heard of it – the concept is finally taking off in the UK.

The idea is straightforward enough. Take a company, usually in the £10m-£20m turnover range; identify a specific, short-term management dilemma which needs immediate attention; drop in someone with relevant skills and experience to sort it out and then ask them to move on.

The challenge could be a planned takeover, a demerger, the implementation of information technology systems or a badly underperforming subsidiary. In today's cut-and-thrust corporate world, executives also have a nasty habit of leaving abruptly or falling sick at critical times.

But surely any self-respecting company should be able to find its own, in-house expertise to undertake demanding projects likely to have a critical impact on the welfare of the entire business? Is not calling in reinforcements a sign of failure?

"Not at all," says Foot. "Employers have been through some very hard times and, after extensive downsizing, they are not about to get caught up with a lot of additional costs. They want to remain flexible in case things turn down again.

"If there is an issue which needs urgent attention, there may well no longer be anyone in-house to tackle it because they have been taken out."

The picture is confirmed by Freelance Directors, a much smaller organisation which puts executives into companies on specific assignments. It points out that flatter, post-recession companies have lost marketing, sales, human resources and financial managers at middle and senior levels.

Employers are now realising, however, that they have not compensated for this by investing in more training for the remaining junior staff. The result is a dearth of knowledge and skills to take forward their business as the economy recovers.

Foot says the demand for interim managers is picking up rapidly, a sign that the recession is over and that companies are again in expansionist mood, even if they are reluctant to see staff numbers growing again.

Interim management has just played a pivotal role in preparations for the proposed demerger of Thorn EMI, on which shareholders will vote next week.

To help cope with the extra demands placed on the company's financial department, Thorn EMI temporarily recruited managing accountant Andrew Emmett via PA Consulting. Long-term recruitment had been ruled out because of the immediate, short-term nature of the job and the fact that the role would not be required once the demerger was complete.

Emmett joined eight months before the demerger to lead a five-man accountancy team to resolve issues such as inter-company debt with Thorn EMI's tax and treasury personnel. By June, when the company announced the details of the demerger, Emmett's team had all the required financial information prepared ahead of time and within budget.

Stephen Young, Thorn EMI's financial controller, says: "Andrew quickly got up to speed and competently managed the team to meet its objectives. Overall, the demerger process has worked well and Andrew played a key part."

Among other converts is London Electricity, which this year mounted a spring sales campaign under the control of an interim manager. Norrie Taylor, a 49-year-old chemical engineer with a history of senior management in traditional engineering businesses, was appointed sales director and given responsibility for a team which went on to secure more than £150m of new business.

Gill Golding, general manager of London Electricity's energy retailing group, says: "We needed a manager who was detached from our complex processes but who could immerse himself in them and bring a fresh approach."

Carpetright, a leading carpet retailer, also called in an interim manager when it faced the challenge of increasing its carpet cutting and handling capacity to meet its expansion plans.

The person responsible for the project had to possess specific technical and project management skills but the company did not want to divert existing management capabilities from elsewhere. In a year, Carpetright doubled its warehouse capacity and cutting operations.

Interim management is also catching on in the public sector, where local authorities intent upon introducing a more commercial approach to their operations are seeking the temporary secondment of interim managers to help out.

Organisations with an eye on containing costs and a short-term problem to solve are giving interim management serious consideration. Freelance Directors points out that the interim manager does not get a pension, company car, health insurance or holiday pay. And if the project does not work out, there is instant severance without compensation.

But surely staff morale is not going to be helped with the arrival of a high performer from outside, handed total authority and doing a job no one inside was thought capable of performing?

"They are usually seen for what they are; somebody who will be around only for a short while and who really poses no longer-term threat to the people they are working with.

"They certainly have to be diplomats but they are not bound up in the sort of office politics which riddles most companies. The company which employs them gets objectivity, reality and truth," claims Foot.

So what is the difference between the sort of consultant who has always been called in at a time of corporate crisis and an interim manager? The answer seems to be that consultants go in to identify problems and make recommendations to their client, although he or she will rarely implement them; the interim manager goes in to make changes after problems have been identified and analysed.

"Interim managers will get their hands dirty and defend their own decisions for the time that they are here. They are one of the team and stand or fall accordingly," adds Foot.

But who are these people, not usually in the first bloom of corporate life, who can afford to stand by and wait for the telephone to ring before being called into a company to do a few months' work? Sounds like the traditional description of someone who has lost their job, is too old to be re-employed and can, hopefully, find enough part-time work to supplement the golden handshake.

Not so, says PA Consulting. They are people who like a variety of challenges, who are financially secure, enjoy taking responsibility and are results-orientated. Foot says the biggest demand for interim managers at present is in the information technology field, which he says should dispose of the myth that they are out of touch with today's company.

As for their age, Foot insists: "They are certainly not played out. They can still offer boundless energy, together with experience, maturity and worldly wisdom. It is often the 35-year-old whizz-kids who know nothing."

'The company which employs interim managers gets objectivity, reality and truth'

TECHNOLOGY

Crop of fears over maize

Alison Maitland on EU concern over a genetically modified food

Ciba, the Swiss-based chemicals group, has run into difficulties winning approval for its genetically modified maize in the European Union because of fears over the potential impact on human health and the environment.

For the first time, a majority of EU member states have objected to a genetically engineered food product, holding up its passage on to the market.

The maize, which has been approved in the US and Canada, has been genetically altered to resist the European corn borer, a pest which causes millions of dollars worth of damage to crops each year.

But concern has been raised by the UK that the maize could transfer resistance to widely used antibiotics to the bacteria living in the guts of animals that eat it. These resistant bacteria might pass to humans through excreta when the animals are handled.

Other EU member states – believed to include Austria, Sweden and Denmark – have environmental concerns. Some are worried that killing the pest could create an ecological imbalance. The maize's ability to survive treatment with a herbicide could lead to the spray being used more widely, with environmental consequences. Some want labelling to show the maize has been genetically engineered.

The European Commission, faced with such opposition, has asked three scientific committees to consider the matter and report back by the end of this month.

The objections came after France signalled approval for the maize under an EU directive which allows the country where a product will initially be marketed to review the manufacturer's assessment of the risks.

The objections were referred to an EU regulatory committee, where for the first time a genetically modified product failed to win approval even by a qualified majority of member states.

Britain said the presence of a gene carrying resistance to beta-lactam antibiotics such as ampicillin posed "an unacceptable risk". The gene could transfer to the gut bacteria of animals which ate unprocessed maize, and thence to humans. It had no problem with the maize being grown and processed for animal or human food, however, as processing would inactivate the gene.

Antibiotic resistance is a growing problem. "There are not many antibiotics where there's no resistance," says Derek Burke, chairman of the UK government's advisory committee on novel foods and processes, which recommended against approval.

He explains that the modified maize contains two genes that are not native to the plant. The Bacillus thuringiensis, or BT, gene makes it resistant to the corn borer. The other confers antibiotic resistance. The latter genes are used quite commonly in genetically modified plants as "markers" to show whether the main gene has been accepted by the plant, because the marker and the main gene are usually taken up together.

But the gene's "promoter", which switches it on and off, allows it to work in bacterial cells – not plant cells, as in the genetically engineered tomato.

It is also constructed in such a way that resistance could multiply rapidly and be more active than in other genetically modified products.

Ciba said the maize was "as safe as maize has ever been". Its findings have been confirmed by the US Environmental Protection Agency, the Food and Drug Administration and the Department of Agriculture.

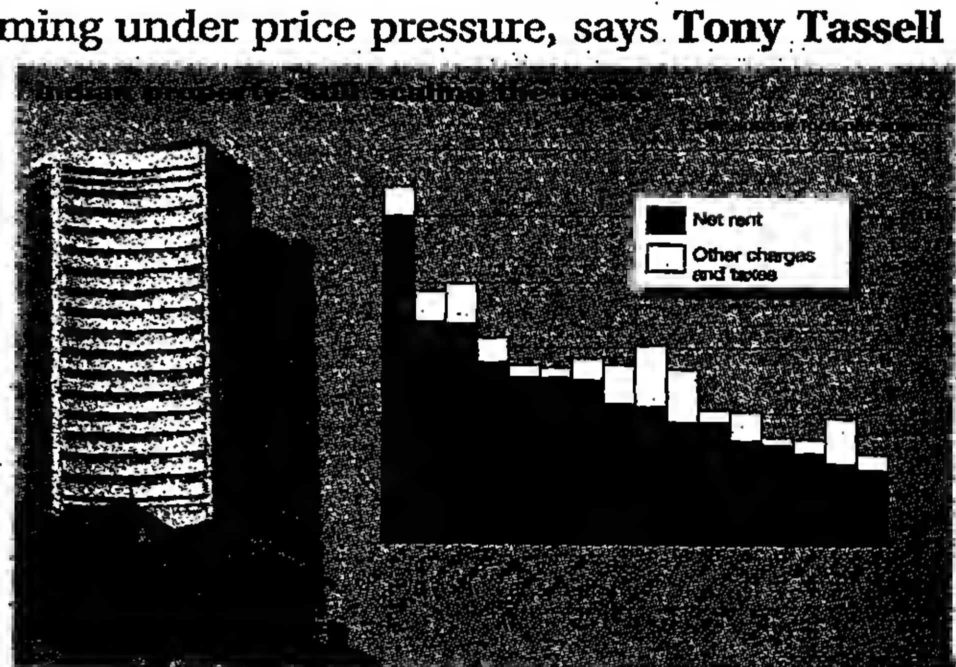
Under EU law, all member states have to abide by a majority decision in favour of a product, officials say. But if the environment council fails to vote by the end of August, the Commission could approve the maize, or reformulate its original proposal for approval, adding safeguards.

COMMERCIAL PROPERTY

THE PROPERTY MARKET

A downturn develops

Bombay is coming under price pressure, says Tony Tassell



The distortions of the Bombay property market can still provoke disbelief.

The world's highest rents for some of the worst international office space on offer, rental deposits of more than £200,000 ($307,500) for basic executive flats while long-standing tenants pay peppercorn rents, and thousands of vacant units despite a dire housing shortage are just three anomalies in this perverse market.

However, there are signs that a long-overdue correction is taking place after a surge in prices and rents since 1990.

Both property values and office rents have come under pressure over the past 12 months. The extent of the downturn is disputed, but most local industry experts estimate quoted prices have dropped by between 20 per cent and 30 per cent from 1995 peaks.

Colliers Jardine, the property adviser, says capital values for commercial properties in Bombay's main business district, Nariman Point, have declined from $1,063 (Rp5,800) a sq ft in 1995 to $829 (Rp29,000) in 1996. This compares with average values in 1990 of $186 (Rp5,800) a sq ft. Rents in Nariman Point also have softened with some local agents estimating that quoted rents have dropped from a range of Rp200 to Rp250 a sq ft to between Rp175 and Rp150 a sq ft.

Unlike downturns in other markets, the fall in Bombay property prices has not been the result of a market imbalance of supply and demand.

With the economy continuing to grow at more than 6 per cent a year and increasing numbers of multinational companies entering the country, demand remains strong. At the same time, supply of developed property remains severely constrained by a morass of zoning controls and socialist-inspired regulations. Bombay must be one of the few financial centres in the world where it is illegal to build even a square inch of new space in the bulk of the inner-metropolitan area.

Local brokers say the fall has reflected a liquidity crunch in the Indian economy over the past year and the fact that price rises had simply become unsustainable. Speculative activity, which drove the market's sharp surge in the early 1990s, has also cooled and shifted to other cities such as Madras and Ahmedabad.

However, future reforms of property regulations could see more fundamental factors push down prices. Mr Deepak Parekh, chairman of Housing Development Finance, the leading Indian financial institution, has warned that expectations of constantly rising Indian real estate prices are "seriously misplaced".

"The real estate crisis in the US and the UK in the late 1980s and in Japan in the early 1990s should provide sufficient warning to speculators and financial institutions that the real estate cycle can be perilously counter-cyclical," he said in HDFC's annual report.

"I strongly feel that we will see a downturn in the real estate market even from its current soft state as land reforms – which are inevitable – get under way and new land begins to emerge in the market place."

How quickly reforms will be carried out in a country not known for its fleetness is another question.

Mr Michael Thompson, chief executive of Colliers Jardine India, says the reform process is likely to be slow and tortuous and the effects of supply of new land are more likely to be felt in the medium term.

However, reforms to Bombay's Rent Control Acts could be introduced over the next 12 months, he adds. They make it extremely difficult for landlords to evict tenants or even raise rents.

Tenants who have occupied their accommodation for many years pay token rents. Their landlords thus have virtually no incentive to develop the property. So vast numbers of Bombay properties are crumbling into disrepair.

Mr Thompson says political pressure and vested interests are likely to prevent a complete overhaul of the acts but legislation is being considered by the Maharastra state government that would scrap the application of them to companies with a paid-up capital larger than Rp10m a year.

In addition, the Indian government is making "positive noises" about reforming the Urban Land Ceiling Act which caps the size of sites that can be [illegible] by developers.

Mr Pranay Vakil, managing director of Knight Frank India, says new [illegible] in the suburbs of Bombay will also increase the supply of land and developed accommodation.

A new development [illegible] on the fringe of central Bombay called the [illegible] complex will be seven times the size of Nariman Point.

In addition, the ageing textile mills which occupy about a third of central Bombay are at last starting to be redeveloped.

However, Mr Bill Ashton, a director of Richard Ellis India, says the extent of the Bombay property downturn may have been overplayed.

"Prices may have come down 20 to 25 per cent from their perceived levels 12 months ago but there were very few transactions done at that level anyway," he says.

Mr Ashton adds that, as land reforms are unlikely to increase the supply of developed property in the short-term, property prices may actually firm over the next 12 months.

"There is no question that the market has stabilised but we see no reason to say the bubble has burst," he says.

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ARTS

Summer music in America: Santa Fe

Emmeline's shortcomings

At the end of the Santa Fe Trail in New Mexico you find Santa Fe: hot in daytime, cool at night, in the middle of a flat plain with a mountainous horizon. The Spaniards founded it in 1610, and it claims to have the remains of the oldest house in the US. Not that you could easily tell: most of the habitations, even the shops and hotels, are built in timeless adobe and constantly renewed. Few of them are more than two or three storeys high.

The sense of a small, well-baked town is charmingly preserved, though since the second world war Santa Fe has become a tourist Mecca and a lively cultural centre.

Of the cultural developments, the most remarkable has been the rise of the Santa Fe Opera, now enjoying its 40th summer season. Its founder and impresario, John Crosby, who has just turned 70, still conducts an opera each season. There are five this year, playing in repertory for two months.

The festival's intrepidly adventurous record is extraordinary. Over the years, besides the standard repertoire it has staged the first American professional performances of six Richard Strauss operas, five of Henze's, two each by Cavalli, Hindemith, Schoenberg and Penderecki, Stravinsky's *Perséphone*, Berg's *Lulu*, and others by Shostakovich, Britten, Janáček, Nino Rota, Aulis Sallinen, Stephen Oliver, Aribert Reimann, Siegfried Matthus, von Bose (whose new *Slaughterhouse 5* I reviewed in July) and Menotti.

As if that were not enough, Santa Fe has also given the world premières of Berio's 1970 *Opera*, Villa-Lobos's *Yerma* and six operas by American composers. The latest of these is Tobias Picker's *Emmeline*, with a libretto by J.D. McClatchy after Judith Rossner's novel.

Cleanly and effectively staged by Francesca Zambello and efficiently conducted by George Manahan, it tells an intriguing story – in Rossner's words, "the Oedipal story from Jocasta's point of view", which she heard from an ancient Maine woman. At 13, Emmeline Mosher was sent by her poverty-stricken parents to work in a cotton mill. There she was seduced and became pregnant; the baby was sent off to be raised by an unknown couple. Emmeline returned home, and many years later married a younger man from out-of-town. He proved to be her long-lost son. Shock, horror, communal ostracisation . . .

I expect that *Emmeline* will be taken up by other American companies. Besides the piquant tale and its haplessly appealing heroine, there are the attractions of Pickers' deft, eminently palatable score – rather *too* palatable, perhaps, for the enormity of the situation.

There are jagged orchestral explosions when the central revelation comes (at the funeral of Emmeline's mother: a librettist's contrivance), but otherwise the prevailing tone is gently melancholy and folksy-lyrical in a familiar American mode. Oboe and cor anglais wind their ways through a thicket of soft strings; for (eclectic) variety there are a few passages of rattling atonality like neo-Stravinsky, and the odd excursion into motorised post-minimalism *à la* Michael Torke.

In none of this is there anything much like anguish or gut-horror to be felt; and yet those are just what the plot expects and demands. This production had nevertheless the advantage of a touching, fresh-voiced heroine in Patricia Racette, who made us feel for her plight more than the music by itself might have done.

Her decent old father was nicely impersonated by Kevin Langan; there was also Victor Ledbetter as the kindly, lonely seducer, a worried Pastor from Herbert Perry and a suitably virile bridegroom-son by Curt Peterson. The chorus of mill-girls was lively and well-drilled. As Aunt Hannah, who holds the keys to the action, Anne-Marie Owens was below her best form – but the opera unfolded concisely and swiftly, and even with a whuff of inevitability.

David Murray

Opera/**Richard Fairman**

Highs and lows of a serious affair

If all Rossini's serious operas tend to seem the same, it might be helpful to recall that this is the one that looked so good on television last year. The miniature theatre auditorium lined by tiers of boxes creates a splendidly eye-catching set, even tilted at an angle, which must make it perilous for the singers to negotiate.

In fact, *Ermione* is not just the same as the rest, as the overture soon makes clear. An off-stage chorus of Trojans sings from behind the curtain, the first of many unusual features that show Rossini striving to vary the usual pattern of *opera seria*. To a non-specialist audience, formal innovations like that may seem academic, but nobody can fail to notice how fluently this opera moves along. *Ermione* is very well paced; it is not just the usual routine of one aria after another.

A 5.55pm start (time for tea at one of the North Downs' villages on the way down) gives advance notice that this will be a short evening. It certainly feels it, and that is in no small measure because Andrew Davis has his finger on the pulse and keeps the music racing along. The cool-headed precision, allied to drive and intensity, that is so effective when he is conducting 20th century operas by Janáček or Berg, transfers unexpectedly well to Rossini.

By the final scene Davis and the London Philharmonic have the score in a tight grip, as they drive the drama on to its breaking-point. Racine's tragedy, despite what is done to it in the name of opera, has brought its two principal characters to a pitch of frenzy, Ermione torn apart by a love/hate relationship, Oreste crazed by unrequited desire. The skill of Graham Vick's production is that it releases all these pent-up emotions without resorting to any of the heavy-handed producers' fancies currently fashionable.

As we see her here, Ermione is a 19th century prima donna, giving the performance of her life. That nicely suits Anna Caterina Antonacci, a beautiful and elegant Italian soprano who radiates star quality. The voice flashes with vivid colours of emotion and it matters less than it might that she employs every trick in the book to get around having to sing the top notes fairly and squarely. Her presence is magnetic without them.

For his top notes, Paul Austin Kelly's Oreste reaches for the box marked "For emergency use only". It is not his fault that the part lies so high, but the Bs and Cs sound strangulated and take away from the reasonably stylish singing that he manages when the music is more comfortably within his reach. Without using the head voice that would have been common in Rossini's time, Paul Nilon sang Pirro's even more difficult rola with security and confidence.

In the third of the three horribly taxing tenor roles, Justin Lavender acquitted himself with some honour. Diana Montague again makes a dignified Andromaca and it is not due to any shortcoming on her part that the scene in which she believes she is about to lose her son Astianatte fails to reach tragic heights. Rossini chooses that moment to pipe a merry little tune on the clarinet – a passing reminder that seriousness is not always what *opera seria* is all about.

Sponsored by the Peter Moores Foundation. Further performances at Glyndebourne until August 25.

Alastair Muir

Eye-catching Rossini: Anna Caterina Antonacci and Paul Nilon in 'Ermione'

Opera/**Martin Hoyle**

Resurrection of a heroine

Time was when a distinguished critic could lament in the pages of Opera magazine that most opera-goers thought Rodelinda was the heroine of *Die Fledermaus*. The baroque boom and the reassessment of the treasure-trove that makes up Handel's 40-odd operas have changed all that.

The 1725 *Rodelinda*, despite success in London and abroad in the composer's lifetime, waited until 1920 for a revival, when a production in Göttingen marked the beginning of this century's Handel opera renaissance. A young, recently famous Sutherland sang it for the Handel Opera Society in 1959. It can only be a matter of time before one of the London houses or Glyndebourne takes it up.

The plot, based at several degrees removed on minor Corneille, recounts a farrago of machinations among the Lombards who boast such villainous double-acts as Grimoaldo and Garibaldo: best to select manageable dramatic elements as they occur rather than try to explain the whole. Thus there is a monarch unjustly deposed, hiding his time in exile (as in *The Tempest* or *As You Like It*); his (putative) widow, under amorous pressure from the conqueror and anxious for the life of her child (as in *Britannicus*). It is even possible to see the ancestress of Mozart's Vitellia in Eduige, the princess whose moods vacillate according to her erratic matrimonial prospects.

The score is irrepressibly melodious and vital, boasting at least one genuine, ravishing Handelian hit, traditionally anglicised as "Art thou troubled?". Despite its wide emotional scope, this basically optimistic music looks forward to the age of reason. The patched-up happy ending seems perfectly feasible.

The triumph of rationality is underlined in Jonathan Miller's production at Broomhill, Kent, by the resurrection of the dastardly dead bass who joins in the final chorus from a prone position; and is forgiven.

Elsewhere Miller seems content to let the story unfold in a stand and deliver manner against the background of grubby white-washed walls, dust-sheets and bare boards with a couple of sticks of furniture. Costume spans the 20th century, from the exiled Bertarido's crumpled white suit and pony-tail to the usurper's morning-suit, spats and watch-chain – transforming the substantial person of Adrian Thompson into an Edwardian alderman in his Sunday best. Thompson, in fine voice and sailing through florid passages, made the mistake of initially looking sheepish; but what started as unintentional comedy blossomed into rich characterisation reminiscent of the late lamented Roy Kinnear.

The Miller production is free of "concept" – one might have wished for more concessions to modern theatricality – but, in keeping with the good doctor's recent tendencies, concentrates on individual characterisation. Eiddwenn Harrhy, musical if sometimes small-voiced, is a ringer for Mary Astor in *The Maltese Falcon* and makes a vivid Eduige. The rest of the cast, mourning, raging or rejoicing, are plausible individuals, though nothing can redeem the impression of the opera as a string of arias.

But what arias – and how well performed. To find one superb counter-tenor in a cast is, as Lady Bracknell might observe, good fortune; to find two is sheer joy. The young Canadian Daniel Taylor has the best-knit voice in this genre I have heard: no breaks in register, from chesty thrust to soprano-like sweetness, all overlaid with a gleaming patina that gives some inkling of how the castrati were able to portray such virile figures as Hercules. His beautifully sensitive lament, gently echoed by the orchestra in one of the score's many pastoral moments, was an object lesson in phrasing. Pure-toned, without the squawks or hoots that mar so much counter-tenor singing, Taylor is a star.

Hard luck on Robin Blaze, another splendidly fresh-voiced counter-tenor, to be cast as his sidekick. An engaging gawkiness on stage and open-faced public schoolboy personality made him a rather good loyal lieutenant, youthful resilience emerging in a bouncily ebullient aria over the orchestra's skipping triple time (good times are just around the corner).

Rodelinda is by Sophie Daneman, experienced with such early music experts as William Christie and Philippe Herreweghe. Pure-voiced, ethereal-toned, more from the Emma Kirkby than the Catherine Bott mould, content to make lovely sounds in the heroine's mainly melancholy, droopingly sensuous music. Her voice twined unforgettably with Taylor's in their duet "T'abbraccio", where music and staging – at first they chastely refrain from touching, ENO *Tristan*-style – contribute to a wistful mood of infinite yearning. Nicholas Kraemer conducted with evident love, and the Baroque Raglan Players seconded him with vigour, voluptuousness and vital attack. *Rodelinda* is back with a vengeance.

The Proms

A grand symphonic statement

It is 20 years since Peter Maxwell Davies now Sir Peter, but still known as "Max" unveiled his First Symphony. Back then the label seemed controversial: could it really apply to a non-tonal work, however ambitious in scale? Was it not inextricably tied to some harmonic ground-plan, some purposeful harmonic development – a system of carefully engineered tensions and releases, such as atonal music could only mimic faintly?

With each successive "symphony", in fact, Davies found himself proposing another apologia for using the traditional term. So again with his Sixth Symphony, which reached the Proms on Tuesday after its première at his St Magnus Festival in the Orkneys. Now he suggests that the term is fair enough if a work offers room enough for pursuing continuous musical thought at length, sufficiently analogous to what tonal symphonists have done; and the new Sixth fulfils that brief grandly.

Two years ago, his one-movement Fifth Symphony developed in a sequence of short, concise sections, laconic and pungent. The Sixth, in three movements, is more expansive. Evidently Davies is remembering Mahler again. Tha big Adagio finale makes that obvious, and so does the second movement, with its echoes of galumphing rustic dances (think of Mahler's Ländler) – not mischievous or parodistic, this time, but amiable and sturdy.

The two most striking features of this symphony, however, go together. One is its tenacious pursuit of continuous musical thinking, palpable enough to grip our attention throughout; the other is its harmonic and lyrical transparency. Though the music is "tonal" only insofar as there is often an implied tonic base – we hear much of it irresistibly in such terms, but it does not *move* in traditional harmonic steps – we can find our feet with it.

And its lyrical lines are not disjunct, as they were in Davies' "expressionist" period: they proceed in gentle steps, almost like diatonic tunes. Furthermore, the orchestration seems as plain as could be, for all its canny ingenuity: the music expands in ruminative solos, homogeneous duets and trios, big continuous paragraphs. Nothing is jagged or abrupt. There is a rich palette of contrasts, but the sense of steady, intelligible development is secure – and of deep expressive weight too.

All this is enhanced by Davies' excellently idiomatic writing for his instruments, which the Royal Philharmonic delivered with grateful sympathy. Each ensemble of the moment gets the space to expand a lyrical thought at leisure, decorative or declamatory. The only uncertainty I felt at this first hearing was whether moderate tempi are too preponderant, given the length of the whole work; but no individual section ran out of breath or outstayed its welcome. The complete edifice is nobly imposing, and as precisely original as anything Max has done.

D.M.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● August Sander exhibition devoted to the work of the German photographer (1876-1964). There are more than 200 photographs on display, including those for his life-work Menschen des 20 Jahrhunderts (People of the 20th Century); to Aug 15

■ BERLIN

EXHIBITION
Kupferstichkabinett
Tel: 49-30-26629598
● Im Kontext der Sammlung: exhibition of works recently added to the museum's collection, including Picasso, Lechner, Flavin, Oppenheim and Boltanski; In Oct 13

■ CAPE TOWN

EXHIBITION
South African National Gallery
Tel: 27-21-451629
● Florence Zerffi and Ruth Prowse: this exhibition of paintings by the South African artists is drawn from the museum'a permanent holdings and from private collections; to Aug 19

■ EDINBURGH

EXHIBITION
Royal Museum of Scotland
Tel: 44-131-2257534
● Pride and Passion: an exhibition in celebration of the life, times and legacy of Robert Burns, to Sep 15

■ LIVERPOOL

EXHIBITION
Tate Gallery Liverpool
Tel: 44-151-7093223
● Joan Miró – Printmaker 1933-63: exhibition of etchings, dry-point engravings, lithographs and aquatints by Joan Miró, giving an overview of the artist's graphic work. The prints in this exhibition are from the Joan Miró Foundation in Barcelona; to Aug 26

■ LONDON

EXHIBITION
British Museum
Tel: 44-171-6361555
● 19th century French drawings from the British Museum. In 1965, art dealer César Mange da Hauke bequeathed to the British Museum 19 drawings from his collection. This exhibition presents an overview of the range of styles and purposes nf drawings produced throughout the century; to Sep 15
Courtauld Institute Galleries
Tel: 44-171- 8732529
● The Four Elements: this exhibition draws together prints and drawings from five centuries to show fire, water, earth and air in mythology and real life. Included are works by Manat, Dürer, Guercino, Bruegel, Gauguin, Hieronymous Bosch, Guardi, Rowlandson, Turner, Samuel Palmer, Constable, Piranesi, Tiepolo and nthers; to Sep 22

THEATRE
Barbican Theatre
Tel: 44-171-6384141
● Richard III: by Shakespeare. Directed by Steven Pimlott and performed by the Royal Shakespeare Company. The cast includes David Trouthon; 7.15pm; Aug 12, 13
The Pit Tel: 44-171-6388891
● The Devil is an Ass: by Jonson. Directed by Matthew Warchus and performed by The Royal Shakespeare Company. The cast includes John Nettles, David Troughton and Christopher Godwin; 7.15pm; Aug 9, 10 (also 2pm)

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Ports nf Entry: William S. Burroughs and the Arts. The exhibition focuses nn techniques developed by the artist with Brion Gysin. Mass-media images, text-image conjunctions, new structures of visual and literary content, and issues surrounding cyberpunk culture are addressed in 153 works, beginning with Burroughs' early scrapbooks of photomontage "cut-ups" from the 1960s and early 1970s.
Also featured are works produced by Burroughs In collaboration with David Bradshaw, George Condo, Keith Haring, Robert Rauschenberg, Philip Taafe and Robert Wilson, as well as portraits of Burroughs by Allen Ginsberg, Annie Leibovitz, Robert Mapplethorpe and Herb Ritts; to Oct 6

■ MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia
Tel: 34-1-4675062
● Paul Strand – the world nn my doorstep, 1950-1976: travelling exhibition organised by the Paul Strand Archive at the Aperture Fnundation. This exhibition comprises 150 black and white photographs and is the first major European presentation of Paul Strand'a work since his death in 1976; to Sep 25

■ NEW YORK

CONCERT
Avery Fisher Hall
Tal: 1-212-875-5030
● New York Chamber Symphony: with conductor Gerard Schwarz perform works by Vivaldi, Handel, Mozart and J.S. Bach. Part nf the Mostly Mozart Festival; 8pm; Aug 12

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879-5500
● Winslow Homer: retrospective exhibition with 180 paintings, watercolours and drawings by the 19th century American painter. The display Includes depictions nf tha Civil War, scenes celabrating rural America in the 1870s, heroic images of seaside life, seascapes of Prout's Neck, Maine, where the artist settled in 1883, and tha tragic painting from his final years; to Sep 22

■ PARIS

EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● Dessins contemporains du Musée de Bâle: this exhibition shnws a collectinn nf contemporary drawings, collected by Dieter Koepplin, the curator of the Kunstmuseum Basel; tn Sep 30
Musée dArt Moderne de la Villa de Paris
Tel: 33-1 53 67 40 00
● Georges Tnny Stoll: the first solo exhibition of this French photographer; to Sep 22

■ SALZBURG

CONCERT
Grosses Festspielhaus
Tal: 43-662-80450
● Camerata Academica Salzburg: with conductor Sándor Végh and pianist Elisabeth Leonskaja perform Mozart's Symphony in D (Prague), Mendelssohn's Piann Concerto No.1 and Haydn's Symphony in E flat. Part nf the Salzburger Festspiele; 9pm; Aug 11

■ SAN FRANCISCO

EXHIBITION
Museum of Modern Art
Tel: 1-415-357-4000
● Frida Kahlo, Diego Rivera, and Mexican Modernism from the Jacques and Natasha Gelman Collection: the collection of modern Mexican painting spans the 1915-1989 and includas works from Frida Kahln, Gunther Gerzso, José Clemente Orozco, Diego Rivera, David Alfaro Siquieros, Rufino Tamayo and Angal Zárraga. The display includes 56 works; to Sep 8

■ WASHINGTON

EXHIBITION
Arthur M. Sackler Gallery
Tel: 1-202-357-2700
● Traders and Raiders on China's Northern Frontier: exhibitinn reflecting ralationships between China and its nnrthern neighbours, the pastoral tribes. A selectinn of belt plaques, buckles, chariot and harness fittings, weapons, tools and vessels made nf gilded, tinned or inlaid bronze, as well as cast gold and silver from China and the northern region is also nn view; to Sep 2

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08.30
Squawk Box

10.00
European Money Wheel

19.00
Financial Times Business Tonight

COMMENT & ANALYSIS

A few familiar symptoms

Thailand's problems are not as bad as Mexico's, but there are risks, says Ted Bardacke

As the Thai central bank moved last week to ward off a run on the baht, the questions were incessant. "Are we heading for a meltdown? Is this like Mexico?" those with exposure to the Thai currency wanted to know.

The short answer is no. Mexico's currency crisis 18 months ago arose quite suddenly after the country lost a large percentage of its foreign currency reserves to a series of political shocks. But the fundamental cause of the crisis was the misguided economic policy pursued for two years that kept the peso overvalued for reasons of political hubris.

Thailand has some similar symptoms but a different disease. The baht has traditionally been undervalued rather than overvalued, out of perceived economic necessity rather than political whim: the promotion of exports is still a priority. Although Thai politicians have so far been unable to implement a much-needed strategy to repair the flaws in the external side of the economy, day-to-day macroeconomic management appears to be in capable hands. Basic information on levels of currency reserves, credit expansion and trade balance is readily available.

And barring an unlikely military coup, the only political shock lurking on the horizon in Thailand – a collapse of the government coalition of seven parties – would probably be welcomed by financial markets.

But that does not mean that Thailand's situation is rosy. The Thai economy is like one of those huge Olympic weightlifters of years past: strong but not very healthy – pumped up, in short, with artificial stimulants. For all the differences between Mexico and Thailand, the seeds of a future Thai crisis exist and could easily germinate.

Take the current account deficit, for example. Thailand's is forecast to be 7.8 per cent of gross domestic product this year, exactly the same as that of Mexico in 1994. But Mexico's deficit was driven by consumer goods imports, while 74 per cent of Thailand's imports are raw materials or capital goods, both of which are expected to lead to increased exports.

Tha problem is that this expectation is not being fulfilled. In the first six months of this year, exports grew only 6 per cent compared to the same period last year; forecasts for the full year are just as disappointing. Much of Thailand's investment is going into infrastructure and basic industries. These are necessary if high levels of economic growth are to be sustained, but they do not automatically translate into exports.

The debt picture is equally murky. Thailand's debt service ratio of 11 per cent of export earnings is less than half of Mexico's 24 per cent in 1994, but its level of total foreign debt as a percentage of GDP, 49 per cent, is higher than Mexico's 35 per cent in 1994.

Part of the reason is that, like Mexico, Thailand is increasingly using volatile short-term financing rather than long-term direct investment in industrial plant and businesses to fund its current account. But unlike Mexicans, who have many sad experiences with sudden devaluations, Thais are largely unaware of the risk this entails.

While this means that Thais do not share with Mexicans a propensity for engaging in capital flight, some large Thai corporations and most commercial banks are borrowing cheap US dollars overseas for projects that will generate baht revenue, and many are doing so without purchasing commensurate hedging instruments. A lot of waight is being placed on the single pillar of what is in effect a fixed baht-US dollar exchange rate managed by the Thai authorities.

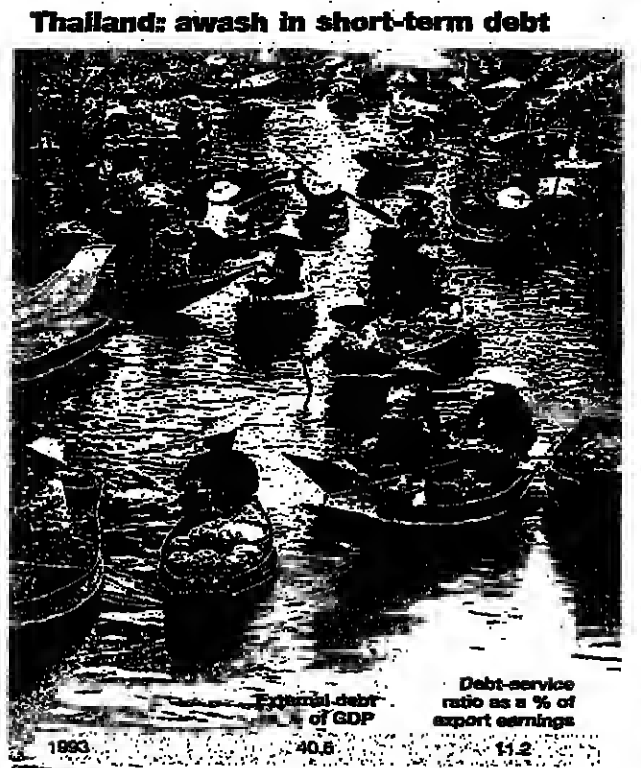
If the baht is indeed undervalued, it is true that a free-floating baht would probably appreciate after the initial shock wore off. This would eventually make US dollar funding even cheaper in baht terms. But a stronger currency would also damage Thailand's export competitiveness, whereas in Mexico the devaluation has helped spur exports to new heights.

A glaring differance between Mexico and Thailand is on fiscal policy. In 1994 Mexico ran a balanced budget but surreptitiously doled out government subsidies via development banks. Despite increasing government budgets, Thailand will again run its traditional budget surplus of nearly 3 per cent of GDP this year.

The irony is that this budget surplus is partly a function of the Thai government's inability, because of bureaucratic inefficiency, to spend all tha money allocated to it by the country's Budget Bureau. When things are going well for the Thai economy, this unintended restraint is a blessing that helps to control inflation. The same government inefficiency now prevents it from designing and implementing a coherent plan to promote axport growth and guida Thailand away from uncompetitive low-wage assembly industries to a more diverse and mature economy.

Thailand, perhaps more than Mexico, needs such a plan. If ever a real economic crisis were to hit the country, Thailand would soon discover that it lacks two assets exploited by Mexico to avoid complete meltdown: substantial hard currency earnings from the state-owned oil monopoly, which it was abla to mortgage for a quick cash injection; and a neighbouring US government determined to prevent even more turmoil on its southern border.

Thailand: awash in short-term debt



	External debt as % of GDP	Debt-service ratio as a % of export earnings
1993	40.6	11.2
1994	44.3	11.0
1995	49.5	11.0
1996*	52.4	12.4

Source: Bank of Thailand * IMF estimates

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Eurofanatic view of spending

From Mr John Townend MP.

Sir, Further to Geoffrey Howe's article on Emu ("When it's right to resist", August 7), while I would argue very strongly against his views which, when dissected, make it clear he is a Eurofederalist, he makes one statement on public spending which is completely misleading. He says "we never doubted then that control of public-sector spending and borrowing had to come first. It is totally foolish now to suppose, after 17 years of Conservative government and with Britain's public spending less as a percentage of GDP than anywhere else in the EU, that any easy savings remain to be found."

This gives the impression that the government has been tough on spending. The facts are exactly the opposite. In 1979, when the Conservatives came to office, public expenditure was 41¾ per cent of gross domestic product.

By 1988-89 it had been reduced to 38 per cent. Yet at the end of the last financial year it was back up to 42¼ per cent. That shows since 1979 there has been no reduction in public expenditure. Although our expenditure is lower than other members in the Union, it is higher than in the US, which has been much more successful in creating jobs, and significantly higher than the growth economies of the Pacific rim.

It seems the Eurofanatics will twist any fact to try and persuade the British nation to surrender its sovereignty to Brussels and Frankfurt.

John Townend,
House of Commons,
London SW1A 0AA, UK

Dole's tax headache

From Mr Jan-Peter Olters.

Sir, Apart from the debatable mathematics that result from the suspicion of the US economy not being overly close to the downward-sloping portion of the Laffer curve, it is in principle Bob Dole's intent, essential to his tax-cutting proposal, to stimulate the economy beyond its sustainable, non-inflationary and job-producing level that appears most alarming ("Dole outlines $548bn tax-cutting plan in bid to attract voters", August 6).

In the light of Wall Street's worries about the speed of job creation, which it had repeatedly made known to the equity-holding segment of the US population earlier this year, implementation of Bob Dole's "economic programme" will likely encourage temporary growth beyond potential output, to which level conventional wisdom has seen the US economy approach recently.

Irrespective of the ideological flavour of one's economic toolbox, the results will be higher rates of inflation and interest, with all the rest of the story unfolding from there. While the scent might tempt and the taste seduce, Bob Dole's campaign cocktail promises a big headache.

Jan-Peter Olters,
102-436 Rue St Helene,
Montreal PQ H2Y 2K7,
Canada

Not a riot

From Mr Glen Plant.

Sir, I was disappointed to aee tha Beijing pro-democracy demonstrations of May 1989 described by Tony Walker ("China generals pledge to back top leadership", August 2) as "riots". As ona who spent several days in or near Tiananmen Square at the time, I can vouch for the complete absence of common lawlessness among both the students and the vast populace who came ont to support them, most impressive and inspiring given tha withdrawal of the "forces of law and order" from the streets.

Glen Plant,
barrister,
65 Alexandra Road,
Wimbledon,
London SW19 7LE, UK

Apology comes too late

From Ms Betty Bloom.

Sir, I am writing with regard to your article, "Clock ticks on buried Jewish treasure" (August 3) and in particular with reference to the sentence "last year tha Swiss government for the first time apologised for its treatment of Jewish refugees during the war".

In September 1943, at the age of 13, I was living in a children's home for Jewish refugees from Nazi Germany in south-western France. As we were in constant danger of deportation, my older sister, who had by then joined the Resistance, arranged for me to be brought to the Swiss border and after several abortive attempts I managed to cross into Switzerland. On arrival on Swiss soil, I was interrogated by the police as to how and why I had come and subsequently spent six months in various internment camps, without proper food, medical attention, schooling or even a change of underwear.

However, I am one of the lncky ones. Sixteen of my fellow inmates of the home, being aged 15 and over, having successfully crossed the border into safety, were sent back by the Swiss border guards, who were no doubt acting under orders from above, straight into the arms of the Germans, to perish in Auschwitz.

No apology will bring them back to life.

Betty Bloom,
33 Fellows Road,
London NW3 3DX,
UK

Rationale for Britannia as re-fitted, dual-purpose yacht

From Mr Bryan C. McGee.

Sir, UK government figures claim that it would cost £17m to extend the life of HM yacht Britannia by five years. A similar amount is being spent on a single transfer fee for the footballer Alan Shearer. We have also seen proposals for a "gin palace" replacement at an estimated cost of £60m. An interesting dual-purpose sail training alternativa is also proposed.

Since Britannia's hull is known to be in pristine condition and her decorative fixtures and fittings in good order, how much would it cost to refit her with state of the art electrical and mechanical equipment to extend her life by, say, 30 years? "Gondola" on Lake Coniston, 100 years old, restored for daily use remains the most sublime sight when in motion. Britannia after 40 years still possesses ageless elegance and remains an icon of Britain at its best.

If the dual-purpose sail training yacht proves impracticable, will there be an embarrassing and humiliating absence in Sydney harbour in the year 2000 for the Millennium Olympic Games?

Bryan C. McGee,
chartered engineer,
Blackbrook House,
Blackbrook,
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SK12 6PU, UK

Europa · **Philipp Hildebrand**

Emu's credibility crisis

Political will for early monetary union is pointless if it goes against economic logic

"Each of these criteria is so important and must be fulfilled in its substance, if the monetary union isn't to be built on sand." Hans Tietmeyer, Bundesbank president, May 4 1996.

Financial markets have largely accepted the idea that European monetary union will go ahead on January 1 1999. Traders and financial analysts have been convinced not by economics but by political will.

On October 26 last year, President Jacques Chirac of France set the stage. He gave his commitment to economic and monetary union and the fiscal rigour necessary to meet the convergence criteria set in tha Maastricht treaty of a budget deficit no greater than 3 per cent of gross domestic product. Subsequently, he stood by his prime minister during strikes against welfare reforms aimed at reducing the deficit.

Last December's Madrid summit agreed on "euro" as the name for Europe's future currency, and thereby incraased the political momantum behind Emu. Finally, Mr Helmut Kohl, the German chancellor, and his vision of Emu emerged victorious from the German state elections in March. More important, the opposition suffered a severe blow with its "delay Emu" stance.

These events promoted a remarkable stability in the currency and fixed income markets. This has remained largely the case until recent market turbulence led to a sudden appreciation of the D-Mark. Policymakers and market participants would be well advised to view this volatility as a warning that optimism about the convergence process in Europe could once again be undermined.

The likelihood that financial markets attribnte to Emu being implemented in 1999 is based on optimism about European growth and the feasibility of a post-Emu stability pact. Alternatively, the markets believe the political momentum is enough to reduce the Maastricht convergence criteria to little more than general reference points.

As far as European growth is concerned, it is too early to make s definitive jndgment. For the time being, one can construct scenarios in which Germany and France meet the Maastricht fiscal criteria by the end of next year. Monetary authorities in both countries have been accommodating and might well provide further monetary stimulus. However, there are those who warn that with further fiscal tightening in the pipeline, Europe's economies are subject to such deflationary pressures that only an extreme monetary shock could generate the kind of growth leap necessary to achieve the Maastricht fiscal targets.

The emphasis is thus on the scope for interpretation of the Maastricht criteria. The treaty undoubtedly allows for some leeway, but will it be enough? Market sentiment rests on the notion that political momentum will override any concerns about genuine economic convergence as a precondition for s successful European monetary union. Mr Kohl is perceived as a guarantor who will not let numbers get in the way of his greater political vision of a united Europe. He views Emn as the crowning of his political career.

But Mr Kohl is also a master at responding to the emotional needs of the German people. Economic stability is close to the hearts of Germans; and pundits are wrong if they think that Mr Kohl will override German stability concerns in a desperate attempt to stick to the 1999 timetable. Failure to reach agreement on a credible stability pact to reinforce the deficit controls in the Maastricht treaty would also adversely affect the willingness of Mr Kohl and Mr Theo Waigel, the finance minister, to endorse a "fudge" of the criteria. It is worth remembering that the chancellor has always seen Emu not as an end in itself, but as a means to European political union.

Tha original Maastricht negotiations made only limited progress on the political front. The intergovernmental conference was meant to change that. So far, there are faw signs of progress. Mr Kohl's enthusiasm for compromise on Emu will be limited without any progress on broader political issues such as European enlargement.

Finally and, perhaps most important, Europe's central bankers – under the leadership of the Bundesbank – will have a word to say about what constitutes a sustainable monetary union even if they are excluded from the final decision about the timing and composition of Emu.

Mr Tiatmeyer has made clear he is willing to defend tha criteria even to the extent of offering a lone dissenting opinion from that of ths rest of the European Monetary Institute council if its convergence report is not in line with his thinking.

Ultimately, the 1999 Emn start date is contingent on European growth or, at the very least, on a stability pact with credibla enforcement capabilities. Without progress on at least one of those two fronts, at the very latest by the end of this year, a strong tide of economic logic will come np against tha present politically motivated Emn timetable.

A credible, limited delay of Emu will not inevitably lead to market turmoil. On the contrary, it would provide Europe with a greater chance of genuine economic convergence and the prospect of a broader European monetary union early in the next century.

Contrary to the opinions of many bond traders, policymakers are not slaves to the financial markets. They can lead and guide markets, provided they exert the right leadership at the right time. Should they fail to ignore the growing credibility gap between the convergence criteria and the 1999 timetable, Europe's policy elite risks renewed currency turmoil – and potentially undermines the objective of an economically sound monetary union as the keystone to a unified Europe.

Making a commitment: Helmut Kohl and Jacques Chirac

The author is an investment strategist with Moore Capital Management in London

مكبرا من الاصل

هكذا من الاهل

COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday August 9 1996

Russia: what is to be done

Mr Boris Yeltsin's inauguration as Russian president later today will be a historic moment for the country, and source of justified relief worldwide. For the first time since becoming a sovereign nation, Russians will get to see the winner of a democratic election sworn in as their leader. What is more – as far as many in the west are concerned – the right man won.

It has been difficult not to become more up-beat about Russia's economic future since Mr Yeltsin's re-election. Important risks, however, remain. The clearest, of course, must be the state of the new president's health. His death would trigger an early election and a hard-fought battle for succession which would be highly destabilising and might not necessarily go the reformers' way.

Even if Mr Yeltsin – or someone sharing his aims – survives in office, there are tough challenges ahead if Russia is to achieve a long-term recovery. The four key ingredients for long-term growth will be to maintain low inflation; achieve budgetary control (including sweeping tax reform); lay the legal and regulatory frameworks for competitive markets; and, last, integrate Russia fully into the global economy. The election result did not ensure that all of these would be achieved.

As far as day-to-day macroeconomic stability is concerned, there are reasons to be cheerful. The full cabinet will not be known for a week or more. But the signs are that the key economic and financial posts will be taken by people committed to preserving the newly acquired economic stability. More broadly, popular support for low inflation will make it difficult for opposing forces in the Duma to challenge the new macroeconomic orthodoxy.

Yet they have a far greater capacity to delay detailed tax and regulatory reforms or subvert them to individual, non-reformist, ends. There are now some highly committed professionals involved in the writing and implementing of these types of reforms. Yet, even where the right rules are in place, it will take political will at the heart of the government to bring them to life. This would not seem to be a job for a man now said by aides to be suffering from "colossal tiredness".

The final challenge – of making sure that Russia is open to international capital and competition – overlaps with the other three. Given an ageing population and severe fiscal constraints, Russia will need foreign capital for the foreseeable future for investment and rapid growth. Though Mr Yeltsin's resort to a border tax last week to boost government revenues worried many, few doubt the new government's commitment to keeping Russia's borders open.

But achieving the benefits of openness will take more than an absence of visible trade barriers. One can argue for free trade while still favouring continued exclusion of foreign investors from the domestic treasury bill market, and any number of subtle rules and subsidies aimed at supporting "national champions". The elections were fought on the "big picture": whether Russia could proceed in its transition to a market economy. The challenge of the next few years will be finding the details to match.

Labour's heels

As Harry Truman, Boris Yeltsin, Jacques Chirac, John Major and others could testify, it is possible to win an election when everyone has been predicting defeat. For four years Britain's Conservatives have been written off as inevitable losers, but write-offs can recover. The Tories' score in the opinion polls has edged up from the late 20 per cents; it may be crossing the 30 per cent mark. This is behind where they ought to be if they are to beat the statistical odds in a contest due within the next 10 months. Yet, as Mr Major demonstrated in April 1992, precedent and polls can mislead.

The economic news favours the prime minister's party. House prices are firmer. Real disposable incomes are rising. Slowly but perceptibly, confidence in the government's management of the economy is returning. Such circumstances favour incumbents. If the Conservatives were not at one another's throats over Britain's place within the European Union they might by now be treading on Labour's heels.

While the Tories squabble, the conventional wisdom still holds. The election is Labour's to lose. The party is better placed to win than any postwar opposition at a comparable stage of the game. Mr Tony Blair, its leader, has done well. He has embraced the market economy and much other Conservative thinking besides. New Labour promises continuity to an essentially conservative electorate. It offers a new management to run familiar policies. The question is, can it be trusted?

Voters who are aware of the criticisms made by Clare Short this week may have their doubts. A disappointed member of Mr Blair's shadow cabinet, Ms Short called for more principle, less public relations. There should be less modifying everything Labour stands for, she says. She described Mr Blair's advisers as "the people who live in the dark". Her interview in the New Statesman may be a cry of frustration at New Labour's election strategy. It is nevertheless revealing.

It could be a summer distraction, or it could do more lasting damage. Either way, the import of what has happened in the past few weeks is plain. It is no longer possible to assume that nothing can stop Labour from winning next time. The party is probably still on the long road to victory. It could be diverted to the short road to defeat.

Rank outsider

Rank Organisation's decision in principle to sell its remaining stake in Rank Xerox looks suspiciously like part of a trend. Like last year's $7.7bn sale by Seagram of its 23 per cent stake in DuPont, it illustrates the pressures on managers to perform. Just as peripheral businesses must be jettisoned these days, so must sources of income which managements do not control.

For once, the impetus does not come from the financial institutions. Indeed, yesterday's sharp drop in the Rank share price suggests shareholders are a little disconcerted. The pressure is more internal. No self-respecting manager – especially one fresh to the business, like Rank's chief executive – wants to rely on profits from a passive holding: nor does it help when those profits have a tendency to outpace those of the managed business.

In this context, a passive holding is not the same thing as a minority stake. The latter may be defined as part of current strategy, aimed at cementing an alliance, for instance, or establishing control. Passive holdings are a matter of history. They often represent an embarrassingly successful seedcorn investment which has come to overshadow its owner. Typically, too, they are the legacy of previous management – Rank bought into Xerox 40 years ago – which the latest incumbents prefer to discard.

This may not be a simple matter of managerial ego. A source of earnings which is not controlled cannot be relied upon either. And if managers have identified what they believe is a business opportunity – in Seagram's case, the purchase of the entertainment group MCA – it can be galling to be stuck with a large and marketable asset which contributes little to income.

A belief in opportunity, after all, is something without which the good manager cannot function. A bird in the hand may be worth two in the bush: but if every manager believed that, capitalism could never flourish.

Then again, proverbs have their uses. In the early 1980s the UK sportswear manufacturer Pentland Industries paid a nominal sum for a stake in Reebok, the fast-growing sports shoe maker. Ten years later it sold the stake for $700m, in the belief the money could be better deployed elsewhere. That stake would be worth $900m today. Pentland itself, proceeds and all, is worth two-thirds of that.

Car trip into the unknown

Mercedes-Benz is staking its reputation on broadening its range to include smaller, less conventional cars, says Haig Simonian

It is a familiar scene. A limousine draws up; a flunky jumps out; a door opens and a bigwig emerges. Although the locations may differ, the vehicle is likely to be the same – a Mercedes-Benz.

Germany's leading prestige carmaker has become an icon for executive transport. In spite of strenuous efforts by rivals such as BMW and Jaguar to catch up, no other car conveys quite the same aura of success and restraint as one bearing the three-pointed star on its bonnet.

But the world market for executive transport is limited, even allowing for the rising affluence sweeping Asia and south America. Under Mr Helmut Werner, its chairman since 1993, Mercedes-Benz has decided the only way to raise sales beyond the 500,000 to 600,000 a year at which they have been languishing is to diversify into smaller, cheaper cars.

Smaller vehicles inevitably mean lower margins. To ensure its new cars are profitable as well as prestigious, Mercedes-Benz's diversification is being combined with a shift in production away from high-cost Germany to new plants in untried locations, such as Brazil, the US and China.

Mr Werner believes the new models will broaden Mercedes-Benz's customer base and lower its costs without compromising its exclusive image. He cites the 190 – the mid-sized "Baby Benz" of 1982 – which provoked fears it would ruin the company's reputation. Instead, the car, renamed the C Class, now accounts for more than 43 per cent of output. If the new models succeed, Mr Werner could do for Mercedes-Benz in 2000 what one of his predecessors as chairman, Mr Werner Niefer, did with the 190 15 years earlier. But if they fail, Mr Werner risks going down as the man who sacrificed Mercedes-Benz's prestige and profits in an ill-judged attempt to compromise quality by manufacturing abroad and to boost output by moving downmarket.

"Mercedes-Benz has embarked on an unprecedented journey away from Germany and away from building luxury automobiles. It is an open question whether it will arrive intact," says one analyst.

There is more at stake than Mercedes-Benz's glitzy reputation. The company is the biggest and most profitable part of Daimler-Benz, the German industrial giant also involved in aerospace and information technology. The severe losses racked up by its Dasa aerospace division last year mean Daimler-Benz is more dependent than ever on Mercedes-Benz, which accounts for 70 per cent of sales.

Mr Werner has two strategies to expand car production. First, he is pushing ahead with new vehicles to broaden Mercedes-Benz's range at the top of the market. The new models are a response to the worldwide shift in tastes away from the company's trademark big saloons into trendier "recreational vehicles".

The first new model, the V Class, which will go on sale shortly, is a van-like "people carrier" designed to tap the expanding market for multi-purpose vehicles (known as minivans in the US). Next comes the M Class sports utility, which will challenge the Range Rover and the Jeep Grand Cherokee in the growing market for luxury four-wheel-drive sports utility vehicles. Mercedes-Benz is also expanding its selection of station wagons and its image-building cars with a new compact convertible, the SLK, and, later, a slightly larger coupé, the CLK.

But the real revolution will not come until the second half of next year. Mercedes-Benz will unveil the first of two much smaller and less conventional vehicles. The first, the new A Class, is a five-door hatchback about the size of a Ford Fiesta but which the company claims is as roomy as a much bigger car by placing the engine partly under the passenger cabin.

The second small car, the Smart, will come a year later. It promises to be even more innovative. Developed by Micro Compact Car (MCC), a 51 per cent Mercedes-Benz controlled joint venture with Switzerland's SMH watches group (best known for the Swatch), the new car will be a diminutive two-seater for urban use. The Smart will be one of the smallest passenger vehicles on the road and come with a choice of petrol, diesel, electric and even hybrid engines.

Mr Werner argues that Mercedes-Benz has to diversify to broaden its narrow customer base. "You have to keep growing or profits will be eradicated. Otherwise you end up in the same corner as Rolls-Royce," he says.

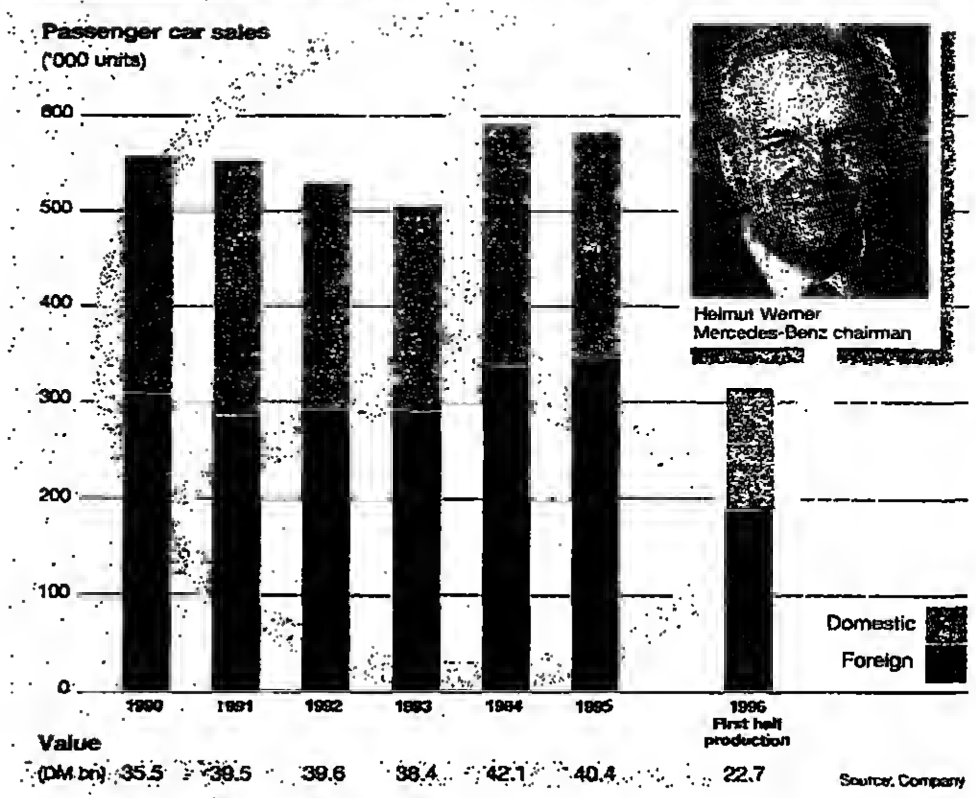
Speed is of the essence. Even its traditional customers are being poached as other carmakers move upmarket. In Germany alone, Mercedes-Benz has been challenged by BMW and, increasingly, Volkswagen's Audi brand. Jaguar has gained new muscle after being bought by Ford. And Japan's Toyota and Nissan have poured resources into Lexus and Infiniti, their respective luxury car brands.

Diversification will also bring economies of scale. Many industry analysts argue a carmaker needs to build about 1m vehicles a year to generate the cash flow to fund spiralling research and development costs, let alone the rising bill for marketing and distribution in an increasingly crowded marketplace. Mercedes-Benz's new models should raise output to about 1.1m cars a year by 2000.

Mr Werner's strategy of broadening the range is closely interlinked with his other priority: lowering costs. Mercedes-Benz's workers are among the best-paid in Germany. Apart from high hourly pay rates, they also enjoy a variety of fringe benefits. Until now, such benefits tended to be overlooked as the profit margins on the company's limousines were fat enough to cover its corporate largesse. But competition has driven down margins on big cars, while profits on the small cars will be much thinner.

Such pressures have prompted a twin-track drive to reduce costs by building more cars abroad and to improve productivity on those models still made in Germany. Lower wage, social security and other burdens mean the Smart will cost DM500 (£219) less to build per unit at its new factory in France than at an equivalent site in Germany. For much the same reasons, the M Class will be made at a greenfield location in Alabama, while the V Class will be made in Spain and a derivative of it in China.

Mercedes-Benz: the drive for higher output



Helmut Werner
Mercedes-Benz chairman

Source: Company

The threat of foreign production has also been used as lever to extract concessions from Mercedes-Benz's German workers. The decision to build the A Class at Rastatt, in southern Germany, came only after unions agreed to greater flexibility. In case their efforts are scuppered by a resurgent D-Mark – or by future militancy – the car will also be produced in Brazil.

Expanding the model range and moving production abroad may look like textbook answers to Mercedes-Benz's problems. But not all Mr Werner's colleagues in the motor industry agree.

Their uncertainty focuses on three main factors: the effects of diversification on Mercedes-Benz's image; the technical and financial challenge of undertaking so many new projects at once; and whether Mercedes-Benz has the marketing know-how required to convince people to buy its new small (but still relatively dear) cars without damaging demand for its larger models.

Marketing will pose the greatest test. The A Class is expected to cost 10-15 per cent more than popular compact hatchbacks such as the VW Golf against which it will compete. "They have to create a new niche for premium-priced compact vehicles", says the analyst.

"I don't doubt they will find some customers for a premium-priced small car," argues the head of one of Europe's foremost manufacturers of smaller vehicles. "The question is how many will they be able to sell, compared with their forecasts. Selling 200,000 A Class cars a year sounds a lot to me."

That task will be even more daunting for the Smart, which will also be built at the rate of 200,000 a year. The miniature vehicle will cost a DM15,000 to DM20,000, yet only have room for two. "There is no guarantee people want a car like this. It is a huge risk," says the analyst.

"The question is, is it worth it? Why risk DM750m building the Smart if the profit per unit will be little more than what you can make on the metallic paint option for a big S Class car?" asks the chief executive of one of Mercedes-Benz's closest German rivals. The decision is "incomprehensible", he believes.

Mr Werner admits margins on the A Class will be lower than on Mercedes-Benz's larger vehicles but says they are perfectly acceptable. The risk from the Smart, meanwhile, is mitigated by the fact that it is being handled by Micro Compact Car, rather than by Mercedes-Benz directly. That, he implies, will distance the parent company in case of a flop.

In the end, Mercedes-Benz's biggest challenge will be to convince buyers its new small cars are value for money. In a break with industry practice, where new models are normally kept wraps until the very last moment, Mercedes-Benz recently embarked on a DM12m publicity blitz for the A Class – more than 18 months before its launch. In advertisements, it emphasises the new car will be as safe and solid as a traditional Mercedes-Benz, in spite of its compactness. With so much riding on its new models, Mr Werner will be hoping readers do not equate size with value.

· OBSERVER ·

Full mango alert

■ Airline customers can do with all the reassurance they can get, these days. So it is good to know that Boeing is working hard to fix a problem causing false fire alarms in its new 777 jet.

It seems the alarm system of the new wide-bodied jet is so sensitive that vapours from tropical fruit in the cargo hold will set off the "optical smoke sensors". Fumes from a consignment of mangoes forced an Emirates airline to make an emergency landing in Cyprus on a flight from the Middle East to London.

Boeing, which is working to find a solution that will "not compromise the safety of the airplane while at the same time allowing the customers to carry perishable cargo," said the problem was worst in hot countries.

So if an emergency diversion is being announced as you read this, do give it a moment before you plan how you will address the hijackers and start eating your passport.

Very creative note

■ A case of taking metaphors too far? The latest edition of Strategy & Business, a quarterly journal published by Booz Allen & Hamilton, the consultants, has some ambitious thoughts about unlocking the managerial spirit within us all.

One of the leading articles proclaims: "It is not enough to say that leadership in today's turbulent corporate environment is an art. Our research shows that managers can become better leaders if they literally take up the artist's pencil and the poet's pen."

The piece, creatively penned by David M. North, program manager for creativity at the Center for Creative Leadership in Greensboro, North Carolina, advocates the development of "esthetic competencies" such as "noticing". This, it tells us, "is about paying close attention to various textures, facets and meanings, at deeper and deeper levels".

In one case study, it boasts, as participants "drew abstract pictures of their situation, and told metaphorical stories and shared their dreams about it, they were able to reframe the issue to embrace previously unperceived sources of the ... problem".

And the potential is unlimited, it seems. "By tapping into... an individual's deeper concerns... with metaphors and the other tools of the artist, managers can release not just their own creative powers but also the creativity of their teams. And if enough of them do that, the whole company will change."

Chianti carp

■ It may not be top of his list of concerns, but Tony Blair had better watch his drinking habits. The holidaying party leader, who has taken his family off to this year's fashionable spot for New Labour, Tuscany, stands accused of drinking less-than-fine wines.

The first swipe came from Michael Heseltine, the deputy prime minister, who derided Blair's Chianti-drinking Islington set. Yesterday, a pugnacious BBC radio reporter suggested Blair would be "weeping into his frascati" over the attacks on his leadership style by Clare Short. Asked to confirm the allegations, an official in Blair's office would say only: "Neither I nor the boss drinks lambrusco".

Second sight

■ Granny Vanga, who is 85 and blind, has fallen seriously ill. Since August 3, she has been holed up in intensive care in Sofia's hospital for the ruling elite, an establishment to which she has been admitted doubtless by virtue of her being Bulgaria's most senior clairvoyant.

Her pronouncements have taken on enormous importance for many citizens as they make the uncomfortable adjustments to post-communist society.

Her health problems have left her junior colleagues in a state of turmoil. "The illness of our greatest seer is having a bad influence on dozens of fortune-tellers," one clairvoyant told a local newspaper. "Many of them have been feeling unwell and sense that their powers are being drained". Well, at least they ought to know how long she has got.

Planets apart

■ It didn't take American political humourists long to make the connection between a certain meteorite and next week's Republican convention in California.

Bob Neumann, one of the wittier Democrats (his car bumper sticker reads "Dole IS 96") summed it up:"It's been a great news week. We've learned there was life on Mars but there is none in San Diego."

Republicans weren't slow on the uptake either. The line from Nelson Warfield, Bob Dole's press secretary, was that: "If there is life on Mars, it may not be very much different from life here on earth. After all, you probably can't find anybody on Mars who trusts Bill Clinton either."

The Financial Times

50 years ago

Hongkong and Shanghai Banking Corporation
The ordinary general meeting of the Hongkong and Shanghai Banking Corporation was held in Hongkong, the chairman, the Honourable Mr. A. Morse presiding. He said in his statement: "As Japan collapsed only in August, 1945, no trade of any importance in the Far East could have been expected by the end of the year with which our accounts deal. However, in India our business remained satisfactory and we continued to extend our connections with Indian merchants. In the countries of South-East Asia the clock of progress has been set back four years by Japanese depredations and the disorganisations of the war."

Subsidies in France
Paris, 8th August. After the battle for higher salaries and wages a new struggle is going on in respect of State subsidies. Rumours that the Finance Minister, Mr. Robert Schuman, might resign if his demands in this connection were not met were circulating here, but seem to be exaggerated. With the elections two months ahead, the Ministers representing the three big parties have given way to practically all demands put forward by private employers, workers and civil servants. A sharp rise in family allowances has also been granted.

FINANCIAL TIMES
Friday August 9 1996

Two Australians face jail after river spill

Manila prosecutes mill chiefs over 'toxic' leak

By Edward Luce in Manila

The Philippine government yesterday launched criminal prosecutions against three mining executives for alleged recklessness in allowing a copper mill to leak what is claimed to be toxic waste into a river.

The accused – two Australians and a Filipino – are senior executives at Marcopper, which at the time of the spillage this year was 40 per cent owned by Placer Dome, a Canadian mining company.

They are Mr John Loney, chief executive, Mr John Reid, resident manager and Mr Pedro Hernandez, senior manager at the site on Marinduque Island south of Manila.

The prosecution is the first time foreign mining executives have faced imprisonment in the Philippines for breaching environmental regulations.

It is tbe latest in a series of moves by the Philippine government to toughen its environmental protection policies.

It follows a decision on Wednesday to refuse on environmental grounds a licence for a $500m cement plant north of Manila, which was to he jointly owned by Marubeni of Japan and Tuntex of Taiwan.

Marcopper, which denies the waste was toxic, intends to resume operations after a $15m drive to clean the affected Boac river. Both the Australians worked for Placer Dome before the company withdrew its Marcopper stake following the accident.

The Philippine government, which last year opened up the country's gold and copper-rich mining sector to 100 per cent foreign ownership, has recently embarked on a campaign to strengthen implementation of local environmental laws in mining and other industrial sectors.

The passage of all but two of the 69 foreign applications for mining exploration rights submitted in the last 12 months has been delayed by strong lobbying from environmental groups.

The government, which has lowered excise taxes on mineral exports and extended tax breaks to mining companies, says it plans to alter regulations to require mining companies to set aside up to 10 per cent of their capital costs for environmental cleaning.

The Philippine mining industry, which during its heyday in the early 1980s contributed over 20 per cent of the country's export earnings, fell into a slump in the late 1980s because of falling metal prices and controversy over severe environmental degradation.

Mr Victor Ramos, environment secretary, sacked several environmental officials after the Marcopper leakage.

Argentina paralysed by strike over economic policy

By David Pilling in Buenos Aires

A 24-hour general strike brought Argentina to near standstill yesterday as police clasbed with marchers protesting against an economic policy they blame for recession and record unemployment.

In Buenos Aires, buses, trains and most domestic flights were suspended, schools were shut and hospitals offered only emergency services.

Argentina's second city of Córdoba, where the local government declared a day off, was paralysed, while other important cities, such as Rosario and Santa Fé, were also virtually shut down. Some supermarkets closed in Santa Fé after leaflets were distributed encouraging thoss who needed food to loot.

The strike, organised with the unusual co-operation of pro-government and independent unions, was called in protest at measures to cut family allowances and tax luncheon and supermarket vonchers, widely used as a wage supplement. The protest broadened into a repudiation of the government's economic policies.

"The government has to recognise that we are facing a situation of hyper-unemployment and misery," said Mr Gerardo Martinez, head of the CGT union, which has close ties to the governing Peronist party.

Unions are demanding a "social truce", involving the suspension of joh cuts in the private and public sector, as well as policies to jump-start the depressed economy.

The country's economic plan, which pegs the peso at parity with the dollar, ended hyperinflation in 1991 and brought four years of rapid growth. However, it is widely blamed for last year's 4.4 per cent decline in gross domestic product and an unemployment rate of 17 per cent.

Mr Roque Fernández, newly appointed economy minister, said the strike would not weaken his resolve to deepen economic reforms and push through spending cuts and tax rises to close the widening deficit. Unemployment could only be teckled by reducing the cost of labour, he said.

Mr Fernández, whose room to manoeuvre will largely be determined hy the political backing he wins from parliament, received a boost from legislators yesterday. The Senate approved a bill for the sale of 59 airports, while the lower house voted for privatising the nuclear industry.

Many of yesterday's clashes occurred after the government ordered police to prevent demonstrators setting up communal soup pots – a traditional part of industrial protests – in public squares throughout Buenos Aires. Several union representatives were arrested.

Opposition politicians, including Mr Fernando de la Rúa, the newly elected mayor of Buenos Aires, defended ths strikers' right to distribute food, saying he would take the matter up with Mr Carlos Corach, the interior minister.

Nokia shares rise on recovery hopes

Continued from Page 1

FM178.50, up FM17.40 from the day's opening price.

In Stockholm, the rebound prompted a rise in shares in Sweden's Ericsson, the world's biggest mobile telephone infrastructure supplier, which reports interim results next week. Its most-traded B share rose SKr3.50 to close at SKr141.

The mobile phones division, Nokia's biggest unit, posted a 30 per cent increase in sales in the second quarter from FM3.76bn to FM4.9bn, a much faster rate of growth than in the first quarter.

The telecommunications division, which makes infrastructure equipment, achieved a 30 per cent sales growth in the first half from FM4.6bn to FM6bn.

Mr Ollila said growth in the US mobile markets remained slow but that demand was healthy in Europe and very strong in the Asia/Pacific region, which he said would overtake the US as the world's biggest market by 1998.

Battle for Grozny sparks row in Moscow

By John Thornhill in Moscow

A ferocious counter-offensive launched yesterday by Russian troops against hundreds of Chechen separatist fighters who had infiltrated Grozny, the devastated regional capital, left scores of casualties on its streets.

The renewed conflict in the troubled southern Russian region has sparked bitter recriminations in Moscow on the eve of President Boris Yeltsin's inauguration, with opposition politicians and the media lambasting the government for failing to maintain a pre-election ceasefire.

As the latest outbreak of fighting in Grozny entered its third day, Russian forces claimed to have repulsed the Chechen forces from the centre of the city after pounding their positions from the air. Bnt Chechen forces disputed the claim and kept up a fierce barrage of Russian positions.

The Interfax news agency reported that 70 Russian servicemen had been killed. The number of Chechen casualties is not known but it is reported that dozens of civilians have been caught in the crossfire.

Mr Gennady Zyuganov, the Communist party leader and defeated presidential candidate, criticised security services for failing to prevent Chechen rebels from infiltrating Grozny, but held Mr Yeltsin ultimately responsible.

"My impression is that both Chechen separatists and federal troops in Grozny are told what to do by somebody in the Moscow Kremlin," he said.

Russia's newspapers attacked the authorities for callousness.

Komsomolskaya Pravda, one of the most vocal pro-Yeltsin newspapers before the elections, slammed the government for an alleged disregard for human life.

It said: "Pity the poor mothers of soldiers and officers when they hear 'twenty killed, 100 wounded'. Our authorities have such zinc-hearted indifference because they know that zinc coffins will not be carried to their homes."

Other newspapers have compared the raid to the Tet offensive in south Vietnam in 1968 which exposed the hollowness of US claims to control the country. The Novoe Vremya journal argued Mr Yeltsin could no longer shift the blame for the conflict on to a circle of "evil advisers".

"The responsibility for the blood and destruction in Chechnya cannot be blamed on the mythical party of war rummaging in the Kremlin's cellars but lies with the head of state," it said.

Editorial Comment, Page 11

THE LEX COLUMN

ABB's capital delivery

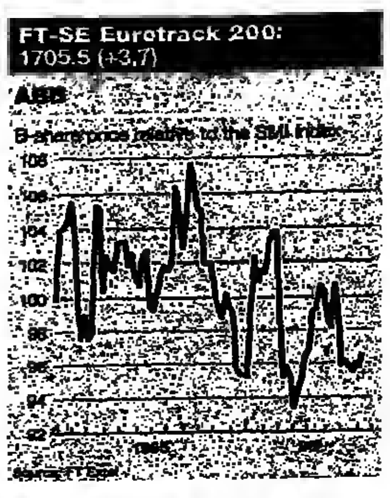


ABB is never less than impressive. Despite slowing markets in western Europe, still 56 per cent of sales, the Swiss-Swedish engineering group increased pre-tax profits hy 17 per cent in ths first half. Since its formation in 1988, ABB has cut costs ruthlessly in Europe and shifted production and marketing abroad, particularly to Asia. On both counts it is miles ahead of rivals like Siemens and Alcatel. ABB has just won the lion's share of a $20bn (£12.8bn) power project in Malaysia, while productivity gains have kept margins steady at 9 per cent – nearly twice those at Siemens.

Of course ABB will not be able wholly to escape the European downturn, which it was one of the first to predict. Last year's second half also included a $250m one-off payment from Daimler-Benz as the two groups merged their rail and transportation activities. So growth for the full year will be slower. But ABB sees scope for further big savings at Adtranz, the new transport joint venture, and in power generation equipment.

With strong management, robust finances and a good spread of businesses ABB looks attractive. The question is whether to invest in the group's Swiss or Swedish shares. Yesterday's capital reduction by the Swiss holding company, which pays back cash anachronistically left sitting on its balance sheet, shows that ABB remains determined to unify its share structure. Though that will take time, the Swedish shares, at an 18 per cent discount to the Swiss ones, are worth buying.

Reed Elsevier

Reed Elsevier is doing boringly well. Revenue growth of 5 per cent in the first half was hardly sparkling. But earnings rose by 11 per cent, despite 4 per cent dilution from last year's sale of its regional nswspapers. The group is also spending heavily to launch more online prodncts, which already account for 17 per cent of turnover. As those costs moderate, Reed Elsevier should be able to tickle up margins from an already healthy 26 per cent. And there are signs of acceleration at Lexis-Nexis, the US legal publisher, where margins have doubled to 20 per cent and sales growth is now in double figures.

Those benign prospects are more than reflected in a share price which trades at a 40 per cent price/earnings premium to the market average. The real fire will therefore have to come from acquisitions. After the success of Lexis-Nexis, the group could splash out £2bn without worrying its shareholders or its bankers. But a little caution looks appropriate. Meaningfully big purchases in Reed Elsevier's chosen areas of scientific, legal and business publishing are few and far between. And they are becoming very expensive. Reed bought Lexis-Nexis in 1994 for 2.4 times sales; yesterday it paid a jaw-dropping six times turnover for Tolley, a small UK legal publisher, after its arch-rivals Thomson and Wolters Kluwer had chased up the price.

Rank

Mr Andrew Teare, Rank's new chief executive, must feel jinxed. In the six years since he took the helm at English China Clays, its shares have fallen 50 per cent against the market. And yesterday, his attempt to wipe Rank's messy slate clean and offer a new strategic vision was greeted with a 6 per cent drop in Rank's shares.

This seems unfair. Mr Teare has offered a sensible, if cautious, approach towards cleaning ont Rank's confused portfolio. The problem is that after throwing out numerous skeletons – such as favourable accounting of the Rank Xerox stake, and generous book values for ageing bingo halls – Rank's base earnings and asset values have fallen sharply. Increased transparency is clearly desirable, but there is a cost. Moreover, the clever restructuring of Rank to enable a tax-free disposal of its £930m Rank Xerox staks has a flip side – namely, what is Mr Teare going to do with the £1.5bn of capital that Rank could comfortably spend, after selling Rank Xerox and several peripheral businesses. Indeed, the restructuring makes it hard for Rank to pay Rank Xerox proceeds back to shareholders tax-efficiently, thereby increasing the pressure on the management to spend it.

Nonetheless, Rank's three most attractive businesses – Hard Rock cafés, multi-leisure centres and bingo halls – will absorb a lot of cash; and given the low dividend yield on the Rank Xerox stake, it should not be too hard to make earnings-enhancing acquisitions. At the current price, Mr Teare should be given the benefit of the doubt.

United/Refuge

If apprentice corporate financiers want to learn how to ruin the presentation of a perfectly sensible deal, they should study yesterday's merger of United Friendly with Refuge Group. The announcement was unnecessarily combined with startling new embedded value figures, sending the share prices haywire and creating the misleading impression that the deal was disastrous for Refuge. Moreover the managements, though presenting a cost-cutting story, proved unable to say how much cost they planned to cut, or what proportion of the benefit would flow to shareholders rather than policyholders.

The deal leaves a sour taste in other ways too. The new company's overloaded board – it is to have a non-executive chairman, deputy chairman and vice-chairman – suggests the merger is perhaps rather too united and friendly. So does the absurdly generous treatmant of United's small group of voting shareholders, who will get four times as many shares as the rest. Last time non-voting shares changed hands, it was at only a 50 per cent, not 300 per cent, premium to the non-voting share price.

All that said, there is sound commercial logic to the plan: given the overlap between the companies, cost savings should be plentiful. But only a little may dribble back to shareholders. And in any case cost-cutting will not solve the fundamental problem: the companies' total dependence on a lousy market – house-to-house insurance sales. Although the share prices should be helped by a formidable dividend flow, they already imply a premium to embedded value for the merged company. They look no bargain.

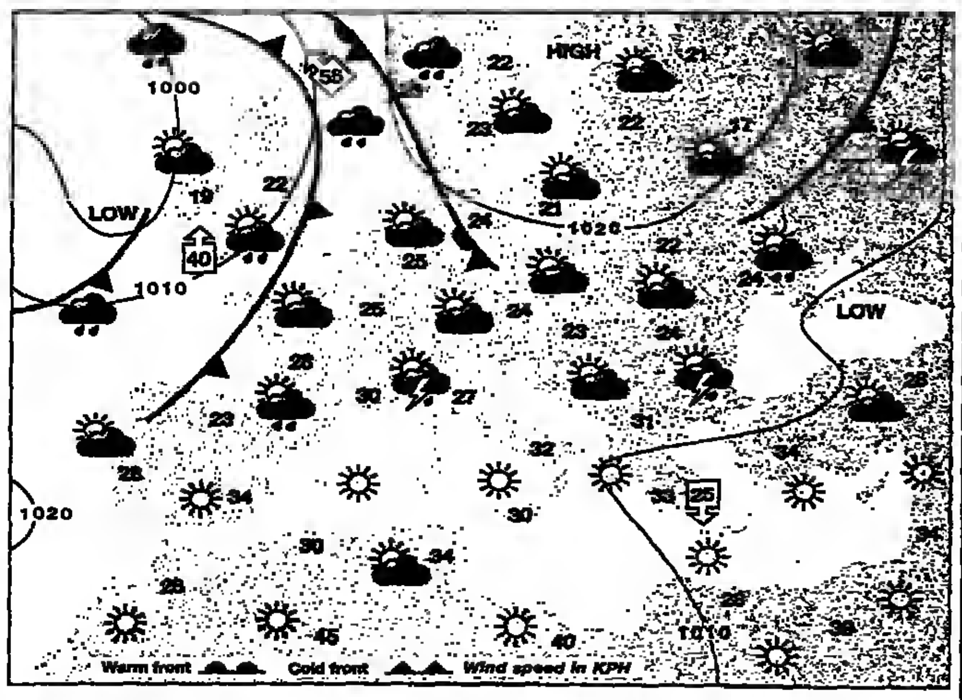
FT WEATHER GUIDE

Europe today

Most of western Europe will be fair with temperatures around 25C. The Mediterranean will have sunny spells with maximum temperatures between 30C-35C over Spain, Italy, Greece and Turkey. The UK, Denmark and south-western Scandinavia will have cloudy periods with showers and isolated thunder storms. Thunder storms will also develop over the Alps and the Black Sea. Sweden and Finland will be fair with maximum temperatures around 23C. Eastern Europe and Russia will have cloud with afternoon temperatures between 18 and 21C. Northern Africa will be hot and sunny with temperatures exceeding 40C.

Five-day forecast

Cooler air will approach from the west on Saturday, accompanied by thunder storms and periods of rain over western Europe. The storms will be especially heavy over the Alps and the Pyrenees.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	cloudy 32	Caracas	fair 32	Faro	fair 27	Madrid	clear 33	Rangoon	rain 29
	Celsius	Belfast	shower 17	Cardiff	shower 20	Frankfurt	fair 27	Majorca	clear 30	Reykjavik	cloudy 16
Abu Dhabi	sun 42	Belgrade	fair 23	Casablanca	sun 26	Geneva	shower 27	Malta	clear 33	Rio	fair 25
Accra	fair 27	Berlin	fair 23	Chicago	sun 26	Gibraltar	fair 28	Manchester	shower 21	Rome	clear 32
Algiers	fair 31	Bermuda	fair 29	Cologne	fair 26	Glasgow	shower 18	Manila	cloudy 30	S. Frsco	sun 26
Amsterdam	fair 24	Bogota	cloudy 18	Dakar	fair 31	Hamburg	shower 23	Melbourne	shower 14	Seoul	fair 31
Athens	fair 33	Bombay	rain 29	Dallas	thund 35	Helsinki	sun 24	Mexico City	cloudy 20	Singapore	cloudy 32
Atlanta	thund 31	Brussels	fair 25	Delhi	cloudy 35	Hong Kong	cloudy 30	Miami	fair 32	Stockholm	fair 23
B. Aires	fair 16	Budapest	fair 23	Dubai	sun 40	Honolulu	fair 31	Milan	shower 28	Strasbourg	fair 27
B.ham	thund 22	C.hagen	cloudy 22	Dublin	shower 17	Istanbul	thund 27	Montreal	shower 26	Sydney	fair 17
Bangkok	thund 36	Cairo	sun 35	Dubrovnik	fair 27	Jakarta	fair 32	Moscow	fair 17	Tangier	sun 28
Barcelona	clear 27	Cape Town	cloudy 16	Edinburgh	rain 17	Jersey	fair 18	Munich	cloudy 24	Tel Aviv	sun 33
						Karachi	fair 31	Nairobi	fair 28	Tokyo	cloudy 29
						Kuwait	sun 47	Naples	fair 31	Toronto	fair 25
						L. Angeles	fair 31	Nassau	fair 32	Vancouver	sun 24
						Las Palmas	fair 27	New York	thund 29	Venice	fair 26
						Lima	cloudy 19	Nice	fair 28	Vienna	cloudy 23
						Lisbon	fair 28	Nicosia	clear 38	Warsaw	fair 21
						London	fair 23	Oslo	shower 21	Washington	thund 28
						Lux.bourg	fair 24	Paris	fair 27	Wellington	cloudy 10
						Lyon	fair 28	Perth	fair 21	Winnipeg	fair 24
						Madeira	fair 25	Prague	cloudy 22	Zurich	cloudy 24

صكنا من الاصل

RECRUITMENT

The contribution of individuals needs to be recognised, says **Richard Donkin**

Why teams still need heroes

Instead of spending a few days on the beach or in the garden I helped supervise a group of 11- and 12-year-olds on a school trip to the Yorkshire Dales last week.

Among the aims were improving communications, and team work. The concept of team work seemed anathema to the group. One boy taking notes of weather measurements as his friends called out the readings told them he was not going to let them copy them from him afterwards. They could get their own notebooks.

It was explained to him that the work had been apportioned into various tasks, that reading measurements was as useful as writing them down. But he was not convinced. He boy was being expected to ignore his classroom experience where he was encouraged to compete. No wonder he rebelled.

Some universities, such as University of Manchester Institute of Science and Technology (Umist), are beginning to include practical team projects in degree work, assessing individuals within the team. Even this, however, inevitably focuses on the individual.

Teams work best when individuality is channelled towards supporting the greater good. The footballing centre forward of unquestionable ability who lays on a pass for his better-placed team mate to score is a true team player. But some players know only how to score goals. They might not come back to help in defence, or tackle well, but does this matter, if they possess that magical ability of putting it in the net time after time? Are they not equally deserving if they can deliver results?

Society continues to venerate personal achievement. People demand heroes; they expect a "man of the match". So there would seem to be a need to accommodate rather than suppress individuals in the team environment. While Neil Armstrong, for example, was the first man on the moon, only he and those who put him in place there know the team effort it took to make it possible.

Now companies have caught the teamwork bug because they have seen how it can improve performance. Some employers, such as Royal Mail, are finding that it takes more than simply switching to team systems to win employees over. Some are insulted at the assumption they have not previously worked as a team member. For example, a team leader in a large public company told me: "I used to be the foreman. Now I am the team leader. I'm supposed to get involved in helping and encouraging the team members to do a good job. I did that previously as a foreman but nobody seemed to notice."

***

A new generation of executives with broader skills and experience is beginning to replace those now dominating the UK's biggest companies? Most of the evidence from a study of executive career patterns by Elisabeth Marx at NB Selection suggests that the average corporate career may have changed less than some might believe.

Marx found of the 98 executives in FT-100 companies whose careers she looked at, 37 per cent have no university degree. Those with degrees reached the top no more quickly than those without.

The typical chief executive of an FT-100 company is a 55-year-old man who was appointed at the age of 49 as an internal promotion. He has typically had at least one non-executive directorship, and is likely to have an accounting or finance background. He is unlikely to have worked in more than two different industries or overseas. He joined his first quoted company at the age of 30 and has had nine different positions in his career.

The highly qualified international super-manager is still rare in top UK companies, yet Marx believes he will become less rare in future. She says the younger generation is moving more rapidly among companies and seeking managing directorships at an earlier age.

She says she is astonished that most top executives still lack international experience. This should not be too surprising given the influence of internal politicking on careers. An executive returning from an overseas posting can find it very difficult to readjust to the head office hierarchy.

The study does not look at the, arguably increasing, influence of management consultancy experience in recruitment to top corporate positions. The leading consultancies are now attracting some of the most able graduates who see them as important stepping stones in a senior management career.

How many companies, I wonder, would value a PhD student more highly than a graduate with three years' experience at a well-known consultancy.

***

Revenues for headhunters worldwide for last year were $4.4bn (£2.9bn), up 10 per cent on the previous year's total, according to Executive Recruiter News, a US publication.

The largest international search businesses, however, had growth averaging 19 per cent, down on the 24 per cent of 1994. Tom Rodenhauser, ERN's managing editor, believes the rapid growth of search in recent years is going to be increasingly difficult to maintain.

Korn/Ferry, Heidrick & Struggles, Spencer Stuart and Russell Reynolds continue to dominate US revenues, although Egon Zehnder is fourth in the international revenues table.

Norman Broadbent made the top 10 for 1995. It will be interesting to see whether it will be able to maintain that position this year after the departure of Miles Broadbent, earlier this year. Egon Zehnder appears to have the most productive headhunter company, with its recruiters bringing in $908,696 each on average.

ERN, tel (001) 603 585 3101

Retained search practices: the top 10 Worldwide

	1995 world revenues $m	One-year growth	Number of recruiters	Revenue per recruiter
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heidrick & Struggles	161.0	18.6	192	838,542
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Egon Zehnder International (c)	148.3	20.2	181	908,696
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amrop International (d)	126.7	32.1	220	575,909
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ward Howell International	73.0	4.3	165	442,424
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norman Broadbent International	57.6	28.3	82	701,220

[illegible]
Source: Executive Recruiter News

Finance Director

Major plc subsidiary

£60,000 + Bonus & Benefits — **Thames Valley**

Challenging opportunity for experienced finance professional to join a reputable industry leader.

THE COMPANY
- Profitable £60m contract engineering subsidiary of quoted diversified international group. Six UK regional branches, 600 staff. Consistent increase in market share through recession.
- Designs, supplies and services M&E systems in commercial, industrial and public buildings. Long-term contract relationships with clients.
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THE POSITION
- Full responsibility for financial management/ external reporting, Company Secretariat and administration. Report to MD.
- Drive programme to update MIS. Introduce new forecasting and budget procedures.
- Standardise evaluation of long-term contract performance to maximise revenue. Identify and negotiate opportunities for further profit.

QUALIFICATIONS
- High calibre finance professional with long-term contracting background, probably from construction or related industry. Understanding of valuation procedures essential.
- Systems-orientated with successful history of innovation and improvement in large company environment.
- Confident, credible leader and communicator. Active, determined agent of change. Strategic vision.

Please send full cv, stating salary, ref SL60808, to NBS, 7 Shaftesbury Court, Chalvey Park, Slough SL1 2ER

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- Member of senior management team. Autonomous role, reporting to and working closely with Finance Director on strategic issues.

QUALIFICATIONS
- Qualified accountant with strong business and commercial acumen developed in manufacturing environment. Credible at senior management level.
- Well organised; strong planning and analytical skills, high work rate and performs well under pressure.
- Bright and articulate. Strong interpersonally. First-class financial control skills combined with capacity for lateral thought and business perspective.

Please send full cv, stating salary, ref LD60801, to NBS, Yorkshire House, Greek Street, Leeds LS1 5SX

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FINANCIAL CONTROLLER

AMSTERDAM, THE NETHERLANDS — **£70K + RELOCATION**

Our client is one of the world's leading Food & Beverages companies. With operations in more than 150 countries the company generates a turnover of approx. NLG 10 billion and employs more than 20,000 people worldwide.

Due to strong expansion foreseen over the coming years they are now looking to strengthen their Financial Control department by recruiting a controller who will be reporting to the Director of Control. The aforementioned department focuses on assisting all levels in the corporation in optimising their (financial) performance.

Your main responsibilities will be:

- designing and implementing policies and procedures in order to optimise and realise long term strategical and operational planning by operating companies as well as Head Office
- review and analysis of (financial) performance of operating companies and Head Office
- assisting in acquisitions
- innovating and upgrading management information systems.

For this most attractive opportunity it is envisaged that the successful candidate will be educated to degree level with at least 8-10 years experience gained working for international businesses being able to demonstrate excellent career progression within senior (operational) financial positions. There is a strong preference for candidates that have been exposed to the FMCG industry. Excellent presentation, analytical and communication skills are essential as well as the ability to look from different aspects at the business. The business language is English, but a second European language is desirable. International travel will be required.

The group offers outstanding international career opportunities.

If you are interested in this opportunity, please contact **Maurits A.N.M. Claassen on (3120) 6444 655, and/or send your CV to Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands. Fax: (3120) 6429 005. E.mail: maurits.claassen@robertwalters.com**

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Financial Controller

Environmental Consultancy

Henley-on-Thames — **c £35,000 + share options**

The environmental market is forecast to exceed $300billion by the end of this century. Our client is a fully integrated Environmental group, whose turnover is expected to grow to £50million by the end of 1997 when flotation is planned. They have recently acquired a dynamic and innovative business that provides consulting, bespoke software and contract research services to large industrial and government organisations around the globe. The acquired business has a number of offices overseas with a strong international presence in key markets.

The acquired business requires a commercially orientated Financial Controller. Reporting to the divisional Managing Director, the Financial Controller will have responsibility for:

- Establishment of a central administration function to support the national and international offices including the development of business strategy and product enhancement.
- Implementation of new management information systems and operating controls.
- Management of cashflow in accordance with Group treasury procedures.
- Preparation of all financial statements and consolidated monthly management accounts.
- Ad-hoc projects as a Group resource including the assessment and development of newly acquired businesses.

The successful candidate will be a graduate calibre qualified accountant with a proven track record within a commercial environment. Exposure to project costing and billing systems is desirable although not a pre-requisite. Applicants should be able to offer strong personal presence and combine both a hands-on approach and the intellectual ability to contribute to strategic decisions.

In return, the Group is growing exponentially and will give the successful individual the opportunity to make an impact in an exciting and relevant business.

If you are interested in applying for the role, please send a full CV, salary details and daytime telephone number, quoting reference 298606 to Peter Istead at Michael Page Finance, 40-42 High Street, Maidenhead, Berkshire SL6 1QE.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
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Financial Executive

Manchester — **c £40,000 + Benefits**

Our client is a fast moving service organisation and is an autonomous subsidiary of a world recognised media group. With a current turnover of c£25 million and a track record of profitable growth, they are now poised to take further advantage of new market opportunities.

As part of this expansion, they seek to appoint a commercially minded Financial Executive who will be an integral part of an innovative and entrepreneurial management team.

Working alongside the Managing Director, your duties will include:

- Formulation and implementation of the company's plans and strategies.
- Ongoing development of MIS and business controls.
- Motivating and developing accounting staff.
- Profit improvement via ABC and BPR projects.
- Oversee all financial and management reporting in line with group requirements.

The successful candidate will be a qualified accountant age 30+, demonstrating a track record of achievement within a customer focussed service business. You will need to demonstrate initiative and drive, together with the strength of character to challenge ideas and be a catalyst for change.

Well developed communication and presentation skills are a pre-requisite, backed up by the ability to negotiate effectively.

Interested candidates should write, enclosing their curriculum vitae to Dean Ball at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ, quoting reference 301790.

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Outstanding opportunities for high calibre Qualified Accountants (0-4 years PQE)

Business Area Controllers

Deutsche Morgan Grenfell, the investment banking arm of Deutsche Bank, one of the world's largest AAA rated institutions, operates in over 30 countries with over 7,000 staff.

As a leading European investment bank and one of the top investment banks in the world, it is essential that it attracts and develops the very best people.

Due to the rapid expansion of the global markets control area a number of vacancies are currently available for exceptional qualified accountants possessing financial services experience.

These key roles are unusually broad in scope and will cover structured and vanilla derivative product trading activities. Paramount to the successful performance of the roles will be building extremely close and proactive working relationships with product heads and trading staff.

Highly competitive packages

Specific responsibilities will include:

- Product Performance Review
- Risk Analysis
- New Product Implementation
- Pricing Verification
- Financial Analysis and Control
- Systems Development

The department is developing rapidly and is poised for extensive growth in line with increased business levels. High calibre individuals can expect rapid progression along with ongoing technical and professional development.

Prospective employees should be qualified accountants currently working in banking institutions or financial services groups within public practice. Candidates should possess strong academic and professional track records, coupled with self motivation, initiative, commitment and a strong technical ability.

Interested applicants should contact Paul Marsden or Jonathan Astbury at Astbury Marsden Search and Selection on 0171 353 7533 fax 0171 353 7703, alternatively write to us enclosing you CV to: Hamilton House, 1 Temple Avenue, London EC4Y 0HA.

Deutsche Morgan Grenfell

Business Analyst

Essex/Herts border — ***c. £30,000 + car***

Our client is a multinational healthcare business, a front-runner in the provision of medical products and therapies. The UK business is at the leading edge of life enhancing and life saving technologies in a fast-changing market sector in which they have an exceptional record of profitable growth.

The Business Analyst of this £60m UK division will have the commercial acumen to provide strong financial influence in the sales, marketing & product management areas of the business. This is a highly proactive role which places emphasis on using the forecasting and financial control skills necessary to ensure that both business and financial targets are met.

Candidates, probably aged 25-30, will have initially trained and qualified with a significant commercial group or within an international firm of CAs. Post qualification experience should give evidence of your ability to interface outside finance, meet deadlines and solve non-routine problems.

This is an upward career opportunity in a major worldwide business which sees all staff as a valuable asset and which has a real commitment to personal development and progression on merit.

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Please forward your CV initially to:
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SENIOR MANAGER

Finance & Accounting - Berlin

Think big. Control costs for Europe's largest integrated construction project.

The incredible 'Sony Center am Potsdamer Platz' - a state of the art DM 1.5bn office, residential, retail and entertainments development in the heart of Berlin - is now moving into the main construction phase.

Which makes now the time to bring in an English and German speaking qualified accountant with solid real estate development experience to keep a keen eye on all construction costs in conjunction with the project joint venture partners and providing accounting, budgetary and tax reports for Sony's Europe and worldwide headquarters.

Reporting to the Finance Director, you will need swift analytical skills, the ability to secure consensus-based results and the dynamism to influence a small but highly efficient multinational project team. You'll also need a sound knowledge of German and US accounting principles and a familiarity with German tax law would be an advantage.

As you'd expect, this high profile role comes with an excellent senior level package including car and relocation. The initial contract term will be four years but the prospects for further project management involvement are very good indeed.

Please send your full CV, covering letter and salary details to Steven Waterhouse, Human Resources Manager, at the address below. For further details about the project, visit our website at http:// www.sony.co.jp./InterChange/Berlin/index.shtml.

SONY

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Guinness PLC is one of the world's leading consumer goods companies with a turnover in excess of £4 billion and an outstanding portfolio of brands marketed, distributed and sold through a worldwide network of beer and spirits operations.

Recent [illegible] development and continued growth has created two opportunities for high calibre qualified accountants (minimum 3 years pqe) with strong systems skills to join our International Audit Team.

You will be responsible for conducting high level operational reviews covering a wide range of businesses and functions. Your experience to date will have equipped you with a sound understanding of systems and general [illegible] knowledge of BPCS, SAP and/or CINCOM would be particularly helpful.

A highly [illegible] you will have a good understanding of [illegible] within a computer environment and the ability to apply that knowledge to a variety of installations across different [illegible]

[illegible] will include strong influencing and communication skills together with the ability to liaise effectively at all levels.

Interested candidates should apply in writing to our advising consultant, Paul [illegible] Ltd, 43 Eagle Street, London, WC1R 4AP [illegible] E-mail: guinness@executive-connections.co.uk [illegible] these roles in more detail, please telephone him on [illegible] 01895 824037).

GUINNESS PLC

CHIEF FINANCIAL OFFICER

c £75K plus Stock Options and Benefits — **Home counties / Paris**

THE COMPANY

- European based provider of product development services to the international pharmaceutical industry.
- Publicly quoted on the Paris stock market.
- To meet the challenges of a rapidly expanding market currently worth $3 billion dollars, the Company is pursuing an active merger and acquisition policy, which will fulfil the ambition to become number one in Europe.

PROFILE

- Likely to be a Senior Partner in an existing consultancy or Finance Director in an international company.
- Bilingual (English/French) essential.
- Frequent commuting between London and Paris, with further international travel.
- Experienced in the financial management of international operations in a highly competitive environment, preferably in a service industry.

THE ROLE

- As a Member of the Executive Committee, the candidate will be expected to develop further budgetary and expenditure controls, and IT systems for the international (Europe/USA) business to accommodate organic growth, negotiate, integrate acquisitions and enhance decision making.
- Close liaison with institutional and other investors.
- Line responsibility for the finance functions in the individual territories and working with line managers to improve profitability and overall Group performance. Play an active role in evaluating new business opportunities and assisting in the negotiation of contracts with clients.

Please apply in writing, enclosing a full curriculum vitae, to: Box A5654, Financial Times, One Southwark Bridge, London SE1 9HL

FINANCIAL CONTROLLER

Management Consultancy

Oxfordshire — **Attractive package**

Our client is a highly successful international group, engaged in the provision of specialist management consultancy services. A well established and reputable market leader, the company numbers many 'blue-chip' groups amongst its client base, with operations throughout Europe, Asia Pacific and North America. After a successful 1995 the company is now committed to further extending its competitive advantage by way of organic and acquisition-led growth strategies.

THE POSITION

- A newly created role, reporting to the Managing Director, driven by the continuing expansion of the business.
- Significant operational and commercial input, beyond the remit of pure finance, at a time of considerable change in the business.
- Full responsibility for the management of the finance department, including all accounting deliverables, in addition to budgets and forecasts, planning, analysis and systems development.
- A strongly quality-driven organisation, becoming progressively more internationally-focussed.

QUALIFICATIONS

- Qualified accountant, with significant post qualification experience in business-to-business/service sector organisations.
- Must demonstrate strong accounting and controls experience, allied to well-honed commercial and analytical skills.
- Interpersonally strong, comfortable operating at Board level. Able to form judgments and marshal arguments in support of business cases.
- A flexible and pragmatic approach, able to command respect and credibility in a fast moving business.

Interested candidates should write, enclosing full career and current salary details, to the advising consultant, William Greenwell, at Questor International Limited, 3 Burlington Gardens, London W1X 1LE. Please quote reference 230255.

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Established in July 1995, WorldTel is a transnational, private-sector driven, funding and development company. We bring together client countries, investors and the telecommunications industry through mutually beneficial collaborations on a strictly commercial basis.

We are now seeking to strengthen our London-based team through the following opportunities.

Financial Analysts

We are looking for Financial Analysts to provide high quality support to our Project Directors. You will be responsible for financial modelling, cash flow and IRR analysis.

You must be a highly numerate graduate, with an impressive 3-to-5-year record of achievement in financial or investment institutions. Dynamic, creatively-minded and with a thorough understanding of financial modelling techniques, you must be a confident communicator with good teamworking skills and a real flair for negotiation.

These are ideal opportunities to make an early impact on an exciting new venture and the rewards will be truly exceptional.

Company Accountant

As the company's accountant, reporting to the Chief Financial Officer, you will be responsible for preparing financial reports, managing cash flow, accounts payable, VAT and the payroll, and for liaising with our auditors, banks and other financial advisers.

This role calls for a qualified accountant with an impressive generalist track record, a flexible approach and excellent communication, interpersonal and presentation skills.

To apply, please write enclosing full CV and salary details, to: WorldTel Limited, 21 Lombard Street, London EC3P 3AR. Fax: 0171-280 4325.

CLOSING THE GLOBAL WorldTel COMMUNICATIONS GAP

This European organisation is one of the worlds leading players in high quality packaging. Recent phenomenal growth, mainly via carefully targeted acquisition, is led by a dynamic senior Board to whom this new position reports.

Business Planning Analyst

BRUSSELS · EXCELLENT PACKAGE

Flexibility and practical problem solving will be the key to success in this role, where you will have to be equally at home in negotiating with Merchant Bankers one day and problem solving with commercial and manufacturing line management the next. You must be a qualified accountant, preferably with experience in manufacturing but who can now broaden out of a purely financial role. Specifically, you must have experience of mergers, acquisitions and disposals and have an extensive knowledge of financial and investment appraisal techniques. You should, therefore, be able to demonstrate specific expertise in an environment where quick and thorough assessment of companies and markets has been the basis for sound corporate decision making.

Your intellect and easy rapport should quickly earn you the respect of a demanding team of senior players. Experience ideally will have been in an international arena and therefore a second European language would be an advantage. A first class package will be negotiated to attract the right calibre of applicants.

Interested applicants should send a detailed CV or ring for an application form on 01625 533364 (24 hours) quoting reference 2605/FT.

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The Finance and Administration Director is a key member of the management team, and will be responsible for implementing from scratch the finance, administrative and HR activities required by this fast growing organisation. The successful candidate, who will be a qualified accountant (ideally ACA) aged mid 30's, may well have a background in the media and ideally, but not essentially, will have experience of working for a US Headquartered Group. In this role there will be a mix of hands-on accounting and financial management including budgeting, reporting, formal statutory accounting, as well as initial responsibility for the wider administrative and personnel activities of setting up pensions, health schemes, etc. Essential qualities include flexibility as a team player, who is practical, yet has the creative vision to establish and drive forward the finance activity in a highly dynamic environment. Initial salary negotiable in the range of £50,000 - £60,000 plus performance related bonus, other benefits need to be established and will follow. **Applications in strict confidence under reference DFA/5672/FT to the Managing Director, Accountancy and Legal Professions Selection Ltd.**

Financial Controller– Europe

C. London – £50-55,000 + s/options

- *Established in the US in 1989, our client is growing rapidly and achieved turnover in 1995 of $25m derived from the development and sale of financial trading and risk management systems to major banking customers. Building on this success, the company is now planning a US flotation within the next 12 months. Within Europe, turnover is expected to reach $18m this year and this is anticipated to more than double over the next three years.*
- *Arising out of this planned growth is the requirement to appoint a European Financial Controller who will functionally report to the US Corporate Controller but have a close working relationship with the European General Manager. The initial brief will be to establish the accounting function for Europe and set up subsidiaries in a number of European locations. Overall, the individual will be fully responsible for all aspects of finance, business forecasting, and contract review and also handle a variety of other responsibilities including premises management, personnel and administration.*
- *Candidates should be qualified accountants who have already achieved a senior finance position within a small/medium sized rapidly expanding US company, ideally in the software sector. Computer literate and experienced in implementing accounting packages, you should have worked within a European environment and have a sound knowledge of US GAAP. Initially the requirement will be to take a very hands on approach to the role, but the individual must have the commercial judgment and stature to be an effective member of the small European management team and have sufficient experience to assist with the planned future growth.*
- *In addition to the salary, benefits will include a profit-related bonus, pension and private healthcare and it is anticipated that share options will be granted.*
- ***Please send your curriculum vitae with current salary details and an explanation of how you meet these requirements to Carrie Andrews, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA0037.***

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Walt Disney Records

BUSINESS & FINANCIAL PLANNING MANAGER

Excellent Salary + Benefits

LONDON

Walt Disney Records is a new venture within the Walt Disney organisation, focusing on releasing music and story products from blockbuster properties such as Pocahontas, The Hunchback of Notre Dame and Toy Story. With very ambitious annual growth rates, Disney Records now seeks a highly motivated individual to manage the long term strategic and commercial direction of the business. Reporting to both the Director of Finance and the Label Manager, you will:–

- **Analyse, challenge and provide creative input for new product proposals.**
- **Evaluate and provide sales and profitability data to assist in developing marketing direction.**
- **Participate in contract negotiations and ensure compliance with 3rd party royalty obligations.**
- **Manage the strategic planning, budgeting and forecasting process.**
- **Ensure that appropriate and effective financial controls, procedures and structure are in place.**

A Qualified Accountant or an MBA with a financial background, you will have gained significant commercial experience either in the music industry or in an FMCG environment. In order to provide a genuine creative input and to challenge existing work methods, you will have a strong personality, excellent communication skills and the desire to become a key player within this exciting and continually changing organisation.

To discuss this opportunity in greater detail contact **Howard Bentwood** (quoting Ref: FT0058) on 0171 209 1000, alternatively send a CV to him at **FSS Financial, Charlotte House, 14 Windmill Street, London, W1P 2DY. Fax: 0171-209 0001, E-mail address: hb@fss.co.uk**

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PROJECT ACCOUNTANT

Switzerland

Attractive Salary & Benefits Package

This international financial services organisation has embarked upon a major project involving cost budgeting, financial systems development and the introduction of a cost centre accounting structure.

There is a need for a technically versatile accountant with a minimum of five years experience to work on this project. This challenging role encompasses a variety of responsibilities including:

- Analysis of financial systems, operations and EDP systems.
- Recommendations for the design of a new budgetary control system.
- Design concepts and a new layout for the cost accounting package.
- Liaison with senior management to create a higher acceptance for a budgetary control system and ensure efficient implementation.

The successful individual, aged 25-40, will ideally be a qualified accountant with fluent English (spoken German is advantageous).

Technical ability combined with excellent communication skills and the confidence to liaise with various people within the organisation will be essential to fulfil this role successfully.

*Interested candidates should apply with full career and salary details to **Lisanne Vaes** at Harrison Willis, Cardinal House, 39/40 Albemarle Street, London W1X 4ND. Tel: +44 (0) 171 344 5125. Fax: +44 (0) 171 344 0364. E-mail: hwgroup@hwgroup.co.uk*

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Finance Director

ATTRACTIVE PACKAGE

The Company: Our client is a global telecommunications group, with a growth rate of 15% per annum and operating in well over 100 countries world-wide including Russia, Uzbekistan, Azerbaijan and the Ukraine. Their rapidly expanding Russian Joint Venture operation, which is growing at the rate of 25% annually, is now looking to further strengthen the management team with the recruitment of a high calibre finance professional who will be a board member of the Joint Venture Company.

The Role: Your varied duties will include providing leadership and direction to a mixed Russian and expatriate staff based at the headquarters in Moscow. Advising the Joint Venture Board and its Senior Management on all financial matters relating to equity share, treasury management, asset management and cash flow. Working closely with the Managing Director and having dotted line responsibilities into the UK Finance Director, you will also be responsible for the MIS function as well as Company Secretarial work specifically related to Russia.

The Person: You will be a graduate with an accountancy qualification ACA, ACMA, ACCA or equivalent. With a minimum of two years' exposure in the Russian market, you must be able to manage a wide range of relationships both internal and external which include banking professionals and tax advisors. First class written and oral presentation skills with fluency in Russian are essential. This represents an unusual opportunity to make an immediate impact within a dynamic multinational group. Energy, creativity and flexibility are all qualities which will enable you to capitalise on the outstanding long-term career opportunities that exist within the group.

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European Opportunity

Amsterdam **Retail Sector**

Our client is a large American multinational, active around the globe. It operates in the fast moving field of fashion products. The European activities are coordinated from The Netherlands, where currently the need exists to recruit an Accounting Manager. The suitable candidate will travel on a regular basis and have daily contact with US Headquarters. This represents an excellent opportunity for a flexible, ambitious accountant.

Tasks and responsibilities:

- Monitor the Europe-wide monthly financial accounting.
- Coordinate the European budget.
- Analyse monthly results, budgets etc.
- Consolidate the European accounts.
- Responsible for European accounting policies and internal controls.
- Review and analyse cashflows and projections.
- Liaise between departments and offices in the US and Europe.
- Sales and flash reporting

Profile of the suitable candidate:

- Preferably a qualified accountant.
- 2-3 years experience in a 'Big 6' firm or relevant experience in a corporate environment (US/UK).
- Comprehensive understanding of US/UK GAAP and International Accounting Standards (IAS).
- Understanding of VAT/intrastat reporting.
- Analytical, detailed and well organised.
- Computer literate.
- Dynamic, outgoing personality.
- Happy to travel within Europe.

Interested candidates should send or fax their curriculum vitae to Michael Page International, 'Apollo House', Gerrit van der Veenstraat 9, 1077 DM Amsterdam, reference ACS/44581, or contact Caroline Stockdale ACA, telephone 00 31 20 5789444, fax 00 31 20 5789440

MP

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The company is in an interesting and exciting period of expansion and development and is equipping itself with a team of high calibre people to take them forward. As part of this development, the company is seeking to recruit a strong, proactive Finance Manager. This position will report to the Finance Director and specific responsibilities will include:

- The direction and management of the finance function.
- The development of the finance department into a high profile, value-adding function.
- The streamlining of the function through the use of IT.
- The implementation of both financial and non-financial methods of performance assessment and control into the business.

Prospective candidates will be UK qualified accountants, aged 30-50 who have a hands-on approach and are attracted to the prospect of initiating and managing change in a dynamic environment. Previous experience should include the leading of a finance department and the implementation of systems in preferably a manufacturing/service environment.

Personal qualities will include leadership, toughness, ambition, enthusiasm and excellent interpersonal skills.

Interested candidates should write enclosing an up-to-date CV and current remuneration package to Anne Brown ACA at Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA quoting reference 304029.

MP

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It's a critical senior financial role working at the very heart of a fast-paced business. You'll have total responsibility for the unit's revenue, expenses pricing and controllable costs. Working closely with the Unit Manager, you'll work with a small team producing current, accurate information vital to the day-to-day management of what is a high quality, price-sensitive business. There are real challenges to be met and real improvements and cost reductions to be made. Make no mistake, it's a tough job and the buck stops with you!

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If this sounds like your next move, write to our advising consultant, Jenny Mayes, quoting G/0087 or alternatively telephone her on 0121 200 3000 for an informal discussion.

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THE COMPANY

Our client is the main operating subsidiary of a £120m turnover plc. An FMCG business operating in the household hygiene and personal care markets, their household name products are mainly sold through the large supermarket chains. The group is in an exciting phase of its development and confidently looking forward to future growth.

THE ROLE

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Candidates will be motivated by the prospect of significant commercial responsibility in a young customer focused business. The successful applicant will be aged 27- 33, a high calibre qualified accountant and will preferably have a business planning and forecasting background gained in an FMCG or other consumer focused industry. The strength of your numeracy, analytical and financial abilities will be matched by excellent communication and interpersonal skills, and above all commercial acumen and a real understanding of what makes a business tick.

Please send CV and full salary details to Brian Byrne, Phoenix Search & Selection, Milton Hall, Milton, Cambridge, CB4 6AB

Cambridge (01223) 441661
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ACCOUNTANCY APPOINTMENTS

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 9 1996

IN BRIEF

Veba cautions after 17% rise

Veba, the German industrial conglomerate, said interim net profits rose 17 per cent to DM743m ($501m), but warned it would not maintain its strong growth during what is expected to be a lacklustre second half. Page 16

Regent Pacific plans Hong Kong listing
Regent Pacific, the Hong Kong-based fund management group with a reputation for making hostile takeover bids, is planning to list on the Hong Kong Stock Exchange this autumn. Page 14

Fujitsu plans new logic chip facility
Fujitsu, the Japanese electronics group, said it planned to invest about Y150bn ($1.39bn) in a new Japanese facility to manufacture logic chips, which process signals or data. Page 14

Kuok group buys into Coca-Cola Amatil
Kerry Group, the private Hong Kong-based holding company controlled by Mr Robert Kuok, the Malaysian-Chinese businessman, is to invest about A$667m (US$518m) in Australia's Coca-Cola Amatil for a 9.275 per cent stake. Page 14

UK holiday slump restrains Thomson
Thomson Corporation lifted second-quarter earnings 6 per cent, with a slump in the UK package-tour market partly offsetting improvements in the Canadian-controlled group's publishing and newspaper business. The travel division's operating profits slid by 23 per cent to US$37m with a 6 per cent fall in sales. Page 15

Transocean rebound disappoints
Transocean Drilling, the Norwegian offshore drilling company targeted in a takeover bid by Sonat Offshore Drilling of the US, rebounded from a net loss of NKr118m in the first half of 1995 to a NKr320m ($50m) net profit. But the result failed to match market expectations. Page 16

UK life groups in £1.46bn merger
United Friendly and Refuge Group, the UK life groups, announced a £1.46bn ($2.27bn) merger in a move which accelerates the pace of consolidation in the country's life assurance sector. Page 17; Lex, Page 12

Ukraine sees worst harvest in 20 years
Mr Boris Supikhanov, Ukraine's deputy agriculture minister, said the former Soviet republic's grain harvest this year would be about 30m tonnes, roughly half the level of 1990. Other analysts said the figure might be as low as 26m tonnes. Both estimates would represent the worst total in 20 years. Page 20

US rally lifts Nikkei 253 points
The Nikkei 225 index recovered almost all its loss of the previous day as a rally in US high-tech stocks lifted semiconductor-related shares in Tokyo. The Nikkei 225 index rose 1.3 per cent, ending 253.72 higher at 20,731.31. Page 30

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	1127	+	27
Degussa	508.5	+	14.5
Porsche	839.5	+	9.5
Wella	876	+	29
Falls			
Karstadt	543	-	9.5
VEW	473	-	8
NEW YORK ($)			
Rises			
CPI Corp	16¾	+	2
Nokia Corp A	40⅝	+	3⅝
True Nth Comm	18⅞	+	2⅝
Falls			
Chesapeake Engy	50	-	1⅞
[illegible]	30½	-	1½
Procter Gmble	88½	-	2¼
LONDON (Pence)			
Rises			
[illegible]	362	+	22
Lon & Mnchstr	381	+	33
Psion	392	+	23
Utd Friendly	839	+	105
Falls			
Rank Org	441	-	27
Scott Pride	33	-	10
TORONTO (C$)			
Rises			
Abel Res	21.7	+	1.1
Enerflex Sys	30.0	+	2.0
Inglis Applnce	9.45	+	1.2
Falls			
Sun Fdst	18.75	-	1.0
Pulley Swere	29.25	-	1.65
Westcoast A	22.0	-	1.0
PARIS (FFr)			
Rises			
Bongrain	2411	+	71
CGIP	1210	+	28
Ecco	1221	+	31
Taittinger	1570	+	52
Falls			
Accor	624	-	16
Legrand	824	-	14
TOKYO (Yen)			
Rises			
Brother Ind	582	+	21
Daido Steel	510	+	19
Iseki & Co	443	+	22
Meiji Milk	665	+	25
Nisshin Oil	865	+	43
Falls			
Koito Mnf	752	-	35
HONG KONG (HK$)			
Rises			
COL Hlds Intl	4.025	+	0.25
Guangdong Inv	5.5	+	0.4
Peace Hill	2.9	+	0.35
Falls			
IMC Hldgs	4.35	-	0.25
Joyce Btique	2.3	-	0.1
Seapower Intl	3.1	-	0.17
BANGKOK (Baht)			
Rises			
Bkk Dusit Med	44.0	+	4.0
Korat Sanity	84.5	+	7.5
Tipco	38.0	+	2.75
Falls			
Sanyo Univrsl	85.0	-	4.0
Thai Srisawad	45.0	-	4.0
Tisco	154.0	-	7.0

New York and Toronto prices at 12.30pm.

Rank primes Xerox stake sale

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The Rank Organisation, the leisure group, yesterday paved the way for an early sale of its stake in Rank Xerox, as it unveiled details of a three-month strategic review.

It is placing all of its non-Rank Xerox interests into a holding company, Rank Group, in a move which will enable it to effect an early sale of the stake in Rank Xerox without incurring a hefty capital gains tax bill.

The stake is valued at £930m in Rank's balance sheet. Mr Andrew Teare, who became chief executive in April, also announced that the company aimed to raise £300m from the disposal of non-core businesses within two years.

Rank also announced a fall in pre-tax profits from £441m to £128m in the six months to June 29 1996. The drop was mainly due to an exceptional gain made last year on Rank's disposal of 40 per cent of its stake in Rank Xerox and a change in the way it accounts for the stake. Pre-tax profits would have risen 11 per cent to £176m on the previous accounting basis.

The shares fell 27p to 441p. "The results were in line with expectations," said one analyst, "but the stock has come off because of the uncertainty created by the restructuring."

Mr Teare said future investment would be aimed at enhancing Rank's position as a leisure and entertainment retailer. "We should be managing assets that we control," he said, explaining the decision to dispose of the Rank Xerox stake.

Rank's £300m disposals target will come from the sale of non-core businesses, including Precision Industries, the manufacturer of equipment to entertainment companies and Kingston Plantation, a timeshare resort in South Carolina in the US. It put Shearings, the coach holiday business, valued by analysts at £80m, up for sale last month. Rank said Precision, Kingston and Shearings should fetch more than £180m of the £300m target.

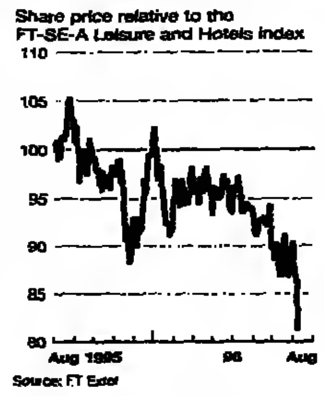
Acquisitions would play a key part in developing Rank's businesses, said Mr Teare. New investment would be directed into Rank's core businesses, by opening 18-20 new Hard Rock cafés in 18 months, building new bingo halls and multi-leisure centres and converting some old bingo halls into Hotshots sports bars.

Xerox, Rank's joint venture partner, is expected to be the main buyer of Rank's stake in Rank Xerox. Rank made its initial £7m investment in the photocopier group in 1956.

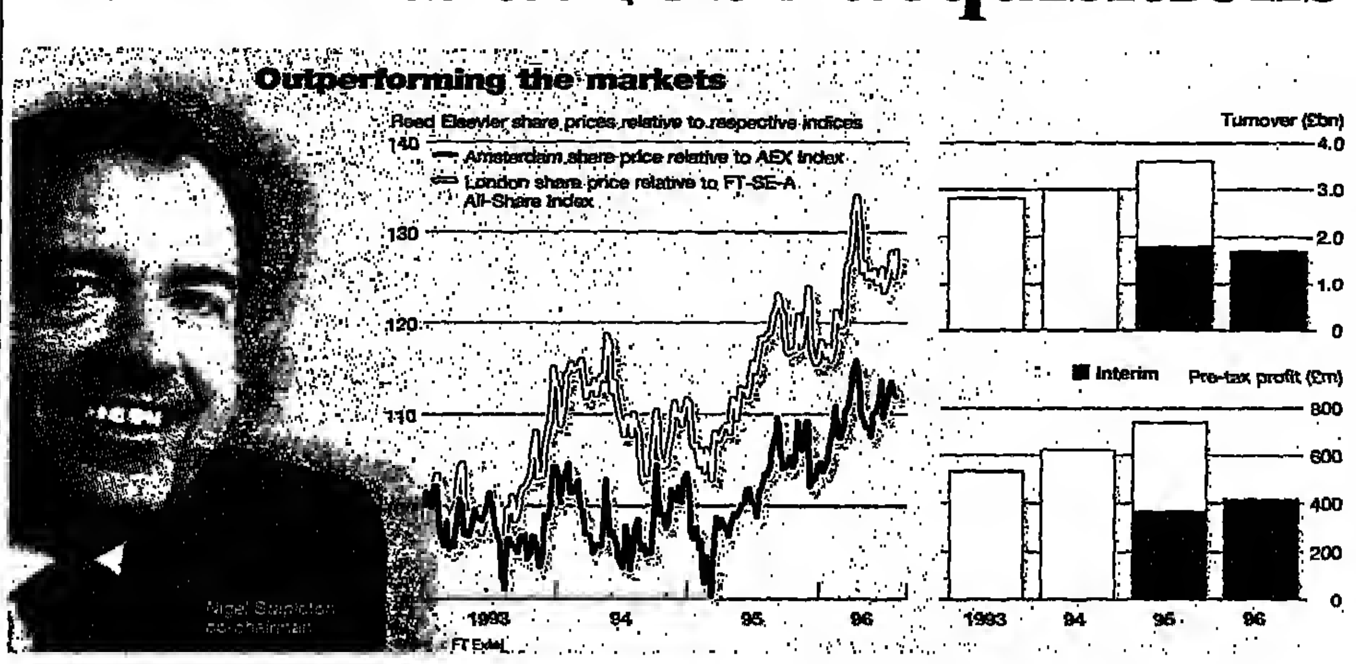
Mr Teare has regrouped Rank's four main business divisions into Film and Entertainment, Holidays, Recreation and Hard Rock. A Hard Rock record label, Hard Rock resorts and live music in the cafés is planned. Rank said regrouping the businesses would cost £25m this year but expected a pay-back within 18 months.

Rank also said it was writing off £150m on its property portfolio.

Lex, Page 13; Details, Page 17; Editorial comment, Page 11



Reed hints at $3bn acquisitions



Nigel Stapleton, co-chairman

By Tim Burt in London

Reed Elsevier, the Anglo-Dutch publishing and information group, yesterday underlined its global acquisition strategy by paying £100m ($156m) for Tolley, the UK tax and legal publisher, and hinting at a further £2bn spree.

Reed, which yesterday unveiled a 13 per cent increase in first-half profits, said it was seeking acquisitions in scientific, professional and business information markets, particularly in North America.

The expansion drive is likely to focus on electronic publishing, which Reed executives predict could account for 40 per cent of group sales by 2005.

"Hard copy publishing will not die, but online information is becoming increasingly important," said Mr Nigel Stapleton, co-chairman.

He was speaking after Reed announced plans to develop electronic publishing at Tolley, acquired from United News & Media, the UK media and financial services group.

United said it would use the disposal proceeds – together with a further £142m raised since April's merger with MAI – to reduce net borrowings.

But United and Reed Elsevier refused to comment on their interest in Blenheim Group, the exhibitions group in talks with both companies.

Nevertheless, it is thought negotiations between Blenheim and Reed are continuing at an exploratory level.

Mr Stapleton would not be drawn on plans for Reed Exhibitions, which contributed to profits up to £165m (£149m) in the business division.

Elsewhere, he highlighted strong growth in scientific and professional publishing as the group reported pre-tax profits up from £370m to £417m on sales of £1.7bn (£1.81bn) in the six months to June 30.

Most analysts welcomed the figures and predicted full-year profits of about £810m, and about £920m in 1997.

Mr Stapleton said it was a creditable performance, particularly given sluggish market conditions in travel publishing and a disappointing first half at Reed Books in the UK.

The group this year shelved plans to sell the consumer books subsidiary – publisher of titles including Thomas the Tank Engine and Winnie the Pooh. Yesterday it said it was continuing to prepare the unit for disposal.

Senior executives played down suggestions of further large disposals and concentrated instead on acquisitions.

"We could spend up to $3bn without overstretching the balance sheet," said Mr Stapleton, who pointed out that the group had interest cover of more than 19 times.

He said it was eyeing a "couple of $500m turnover businesses" in legal and business publishing.

The co-chairman admitted the biggest gap for the group was in financial publishing, although it had links with Bloomberg, the US wire service, through its Lexis Nexis electronic information arm.

Bloomberg has been mentioned by some analysts as a potential target for Reed Elsevier, as has Dun & Bradstreet, the US financial information and market services group.

Mr Stapleton declined to comment on possible targets.

Shares in Reed International, the group's UK quoted arm, fell 5p to £11.45p, while shares in Elsevier – the Dutch arm – fell Fl 0.30 to Fl 26.40.

Lex, Page 12; Details, Page 17

SocGen to raise Crosby Securities holding to 75%

By John Ridding in Hong Kong

Société Générale, the French banking group, is to take a majority stake in Crosby Securities, the investment bank, to form a new Asian brokerage and corporate finance institution, the companies said yesterday.

Terms of the deal were not disclosed but the agreement, which gives Société Générale a controlling stake in Crosby's two biggest businesses, will see the French bank raise its holding in Crosby Securities from 49 to 75 per cent. The two companies will also inject US$20m each into the new institution, which is expected to be called SocGen-Crosby.

The agreement marks a strategic expansion in the region for Société Générale and a reversal in strategy for Crosby, the small but aggressive Asian bank which recorded a loss last year and which has seen a string of staff departures.

Both companies rejected the description of a takeover, but Mr Timothy Beardson, founder and chairman of the privately-held Crosby Group, said the deal marked a departure from his strategy of selling minority stakes to industry partners. "This is a once and for all choice to be part of a major player," he said.

Mr Yves Touloup, managing director of global equity at Société Générale said the deal would marry Crosby's expertise and contacts in the Asian region and the French bank's capital base of US$12bn. This would allow the new institution to be a force in regional primary market operations. "We intend to be very aggressive in penetrating the market," he said.

Since its foundation in 1984, Crosby has established offices in 20 countries, with its main operations in Hong Kong and Singapore. It has a strong reputation in research, but its presence in primary corporate finance activities has been limited by its size.

Crosby Securities has suffered a string of departures, including the managing director of its Singapore securities operation, its head in India and several research analysts. In response, Crosby has announced a management reshuffle.

Under the terms of the agreement, SocGen-Crosby will comprise Crosby's stockbroking and equity corporate finance divisions, which account for most of its 600 staff. Crosby Financial Holdings, the private Crosby Group company, will retain a 25 per cent stake in SocGen-Crosby.

Mr Beardson will remain chief executive until a replacement has been nominated by Société Générale. He will then focus on Crosby's businesses in fund management, debt securities and debt origination.

Mr Beardson said the group's performance this year had been satisfactory, given market conditions. Last year, Crosby recorded a loss of US$1.9m on revenues of US$64.5m, compared with a profit of US$10.22m on revenues of US$80.89m in 1994.

Procter & Gamble advance fails to calm growth worries

By Richard Tomkins in New York

Procter & Gamble, the US consumer goods company, yesterday produced a 14 per cent increase in underlying net profits for the fourth quarter but the figure failed to quell investor concerns about its short-term growth prospects.

Sales rose 5 per cent to $35.3bn in the year but only 1 per cent to $8.6bn in the fourth quarter. The shares were off $2¼ at $88½ in early trading as the market continued to focus on the likelihood of a slowdown in earnings growth in the current quarter, largely because of problems in the company's US healthcare business.

Last quarter's figures were affected by exceptional items including the settlement of the Bankers Trust derivatives lawsuit, a gain on the sale of P&G's stake in the Aleve joint venture, a reserve for estimated losses on a pulp supply contract and a change in accounting rules.

Including these items, net profits rose 17 per cent from $472m to $554m and earnings per share rose 18 per cent to 77 cents – slightly better than the consensus forecast of 75 cents. Without the exceptionals, P&G said net profits would have been 14 per cent up at $539m.

For the fiscal year ending in June, net profits rose 15 per cent to $3.05bn. But without the latest quarter's exceptional items and a charge last year relating to the Kobe earthquake in Japan, the rise would have been 12 per cent.

Last month P&G sought to reassure investors about the strength of the business by announcing a $1bn buy-back and lifting its dividend 12½ per cent. But the shares have failed to regain their 52-week high of $93⅞ in spite of Wall Street's recent rally.

P&G has warned earnings per share are likely to grow only 8-9 per cent in the first quarter of the current year, largely because of weak US demand for its Crest toothpaste and over-the-counter products.

In Europe, P&G has also suffered the costs of stock and merchandising adjustments relating to its switch to a value pricing strategy.

German bank falls 39%

By Andrew Fisher in Frankfurt

Bankgesellschaft Berlin yesterday ended the run of sharply higher German bank results with the announcement of a steep drop in profits. This followed heavy investments in new computer systems and dealing facilities and high loan loss provisions.

Operating profits fell 39 per cent to DM310m ($206m) from DM509m. Total costs were 12 per cent higher at DM1.8bn. Without the cost increase, profits would have been flat.

The bank said its second-half result would show a smaller decline than in the first six months. This is a retreat from its earlier forecast that the full-year's result would match that of 1995.

The bank said the cost rise was in line with its plans for the continued integration of the banks merged two years ago when the group was formed. Bankgesellschaft Berlin mainly includes Berliner Bank (a commercial branch bank), Landesbank Berlin (a public sector bank linked to regional savings institutions) and Berlin Hyp (a mortgage bank).

The group said the parent bank, Bankgesellschaft Berlin – a holding company and an investment bank – and Landesbank Berlin had switched to a unified data processing system this year, a step which Berlin Hyp had already taken. A new dealing centre had also been opened in Berlin, with costs further increased by investment banking expansion in Berlin and London.

Apart from the cost increases, group business was basically positive. Net interest income was 12 per cent higher at DM1.9bn, with commission income up 16 per cent to DM338m. However, the own-account trading result fell from a DM39m profit to a DM110m loss. The bank said this partly reflected write-downs on equity derivatives; these were more than offset by related interest income and dividends shown under interest income.

Last year, the group raised pre-tax profits 25 per cent to DM895m but held its dividend. Yesterday, it said risk provisions had been raised by 8 per cent in the first half to DM391m; actual loan loss provisions were DM549m, offset by profits of DM158m on securities in its liquidity portfolio.

NEWS DIGEST

Gwalia in bid for Orion Resources

Sons of Gwalia, the acquisitive Perth-based gold miner, yesterday moved to secure its hold on Western Australia's Yilgarn gold region, when it announced a A$1.80-a-share cash bid for the listed Orion Resources. The offer values Orion, in which the bidder already holds a 12.4 per cent stake, at about A$120m (US$93m).

The Gwalia bid comes just months after it secured control of Gasgoyne Gold Mines, which is Orion's partner in the rich Yilgarn Star gold mine. Gwalia's offer for Gasgoyne was made in the face of a rival bid from Coeur d'Alene Mines, the Idaho-based mining group which already holds a 19.9 per cent stake in Orion.

Coeur, which still retains a sizeable minority stake in Gasgoyne, bought much of its interest in Orion from Homestake Mining earlier this year.

Gwalia said its offer for Orion was part of an "ongoing strategy of consolidation in the Southern Cross/Marvel Loch" belt, which lies to the west of Kalgoorlie. The acquisition would boost Gwalia's attributable gold production to about 500,000 ounces a year, making it one of Australia's top five gold producers.

In the year to end-June, Sons of Gwalia reported gold production of 303,116 ounces.

Gwalia added that its offer for Orion was conditional on the Australian Stock Exchange's gold index not falling below the 1,750-level during the offer period. The terms of bid would not be increased, in the absence of a higher rival offer.

On the stock market, shares in Orion jumped sharply, from A$1.35 to A$1.83. Sons of Gwalia, however, lost 12 cents at A$8.38. *Nikki Tait, Sydney*

OCBC ahead 15% at midway

Singapore's OCBC Bank Group reported a 15 per cent rise in net profits to S$304.58m (US$215m) for the six months ended June 30. The results were below market expectations. Analysts had a consensus estimate forecast for the bank at S$708.8m for the full year.

"The main problem seems to be operating expenses, including provisions, which rose sharply," said Mr Michael Sia, analyst with Deutsche Morgan Grenfell.

OCBC's operating expenses, including provisions, jumped 27 per cent at the group level to S$356.54m. At the bank level, they rose only 16 per cent to S$207.01m. The bank said higher provisions were made for the six months but declined to elaborate what they were for.

Mr Sia said that going by the interim numbers, OCBC's full-year earnings would probably be closer to S$650m instead of S$700m. He said that group net interest income, which rose 12.6 per cent to S$510.88m, was also slightly below his expectations. The group's other income rose 49.6 per cent to S$125.63m in the first half of the year.

The bank said the rise was mainly due to higher real estate income, especially from its Countryside residential project. *Reuter, Singapore*

HK Electric falls 14.3%

Hongkong Electric Holdings, the monopoly electricity supplier on Hong Kong Island, yesterday reported a 14.3 per cent decline in net profits to HK$1.72bn (US$144m) for the first six months of the year, as contributions from the property development arm dried up. Last year, net profits stood at HK$2.01bn at the halfway stage.

The company has previously reaped strong contributions from Secan, its property development associate, particularly during the sale of flats in the mass housing South Horizons development. For the first six months of the year the company booked a modest HK$16m as its share of profits from associates – essentially Secan – compared with HK$503m for the same period last year.

On core business, cool and wet weather in April and May was blamed for the depressed growth in sales of 1.6 per cent in the first six months, but demand clawed back in June. Mr George Magnus, chairman, said further strong growth was witnessed in July, with a new record maximum demand of 2,118 MW being recorded. The company is keen to build out and increase its generating capacity, in order to capitalise on what it sees as growing demand, but has not yet received government approval. Earnings per share fell 14.14 per cent from 99 cents to 85 cents, and the directors are recommending an interim dividend of 45.5 cents, up 10.97 per cent on the 41 cents paid last time. *Louise Lucas, Hong Kong*

Whyte and Mackay eyes India

Whyte and Mackay, the Scotch whisky producer, is set to enter the Indian market through a joint venture with the Radico Khaitan group. Mr Brian Megson, finance director of Whyte and Mackay, told news agencies in Bombay that his company would have a 51 per cent stake in the joint venture, which will initially have an authorised capital of Rp180m ($5m).

However, Mr Ken Hitchcock, chairman of Whyte and Mackay, said the terms of the joint venture were still under negotiation, although his company would hold a majority stake. He said the joint venture would launch several of the company's brands in India within a month, and production had already started at facilities in the country owned by Radico Khaitan. Mr Hitchcock said Whyte and Mackay, the world's third largest maker of whisky, would adopt a conservative approach to the Indian market. *Tony Tassell*

Regent Pacific plans listing on HKSE

By Roger Taylor

Regent Pacific, the Hong Kong-based fund management group with a reputation for making hostile takeover bids, is planning to list on the Hong Kong Stock Exchange this autumn.

The move comes after Regent bought about 25 per cent of the company in July from Altamire, a Canadian investment fund.

Until recently, Altamire was the majority shareholder in Regent with about 60 per cent of the company.

Earlier this year, Regent announced plans to place this stake. About half was sold for US$78m to a range of institutions at $2.78 a share. The remainder was bought in by Regent.

Brokers pointed out that Regent had been keen to make sure that the sale of Altamire's stake did not result in any one shareholder being in control of the company.

Regent now plans to issue up to $100m worth of shares on the Hong Kong Stock Exchange. The offering is likely to be sponsored by Nomura.

The listing will give Regent's new institutional investors an easy means to sell their investment, while allowing Regent to raise new capital for expansion.

The company is worth about $250m and is about 40 per cent owned by management and staff.

Regent Pacific has grown rapidly since it was founded in 1991 by former employees of UK fund management group Tyndal, now part of Jupiter.

Registered in the Cayman Islands, it manages $2.1bn from offices in Hong Kong, London, and Bermuda.

Its fastest growing market is Russia. It currently manages four Russian equity funds and a debt fund, worth in total more than $400m. It is launching a new range of Russian investments designed to double the amount it manages in the region over the next six to eight months.

Regent is probably best known for its aggressive strategy of making hostile takeover bids for closed-end funds where the shares trade at large discounts to net asset value. If successful, it breaks up the fund and sells off the assets.

Most recently, Regent's London subsidiary, Regent Kingpin, launched a bid for the GT Chile Growth Fund. The bid ended in stalemate, with GT and Regent eventually agreeing to split the fund between them.

However, Regent emphasises that this is only a small part of its business. Its Undervalued Assets trust, which specialises in aggressive takeovers, is worth just $355m, or about 15 per cent of its funds under management.

Kuok group acquires 9% holding in CCA

By Nikki Tait in Sydney

Kerry Group, the private Hong Kong-based holding company controlled by Mr Robert Kuok, the Malaysian Chinese businessman, is to invest about A$667m (US$518m) in Australia's Coca-Cola Amatil for a 9.275 per cent stake.

The investment in the soft drink bottler is being made via a placement of 46m shares at A$14.51 each, a 4 per cent discount to yesterday's opening price of A$15.14. A "senior member" of Kerry Group will also be invited to join CCA's board.

As a result of the deal, the Atlanta-based Coca-Cola group's stake in CCA – which dropped below 50 per cent after a rights issue last year – will fall to 36 per cent.

If the transaction is approved by Australia's Foreign Investment Review Board, it will mark the second significant tie-up between the Kuok group and a leading Australian-listed company. In September, Kuok announced that it was taking a 25 per cent interest in the Asian business built up by CSR, the building materials, aluminium and sugar group, for an undisclosed sum.

CCA said yesterday that the money raised from the sale of shares to Kerry would allow it to step up its investment plan, "particularly in eastern Europe and Indonesia". The Australian group has been highly acquisitive recently, increasing its interests in Austria, Poland, Croatia, Switzerland and Ukraine.

But Mr Norb Cole, joint managing director at CCA, stressed the deal was the basis of a "strategic alliance". Kerry has been active for many years in Indonesia, which has become one of the fastest-growing bottling operations within the CCA group, he said. Kerry's own beverage arm included 10 Coca-Cola bottling joint ventures in China.

Mr Cole said that the two groups might achieve economies by pooling their procurement of raw materials, including aluminium, PET and sugar. Their alliance would strengthen both companies' beverages operations in east and south-east Asia, he said.

Yesterday's announcement came less than 24 hours after CCA unveiled a first-half profit of A$58.9m after tax, on sales of A$1.79bn. Although profits increased by 26.1 per cent, earnings per share were flat and some analysts viewed the figures as disappointing. Yesterday, in the wake of the Kuok news, CCA shares closed up 4 cents, at A$15.55.

Bankers Trust arm clear to take 15% Fairfax stake

By Nikki Tait

The Australian federal government has cleared the path for Bankers Trust Australia, part of the US-based investment bank, to acquire a "portfolio interest" of almost 15 per cent in John Fairfax, the country's leading newspaper publisher.

The government yesterday said it had "decided to raise no objection under foreign investment policy to a proposal by BTA and its associates to acquire a portfolio interest in John Fairfax of 14.99 per cent". However, BTA had undertaken to limit its voting interest in its new investment to limit its voting interest to less than 5 per cent, said Mr Peter Costello, federal treasurer.

"The foreign investment approval for this case... has been on the condition that BTA limit its voting to less than 5 per cent," he said. BTA has recently lifted its stake in Fairfax, and is currently thought to hold around 8 per cent of the shares.

The Australian publisher, in which three media magnates – Mr Conrad Black, Mr Kerry Packer and Mr Rupert Murdoch all hold stakes – has been subject to long-running bid speculation.

However, constraints on the ownership of media assets in Australia prevent all three businessmen from bidding for Fairfax at present.

The new federal government has said it will review these limits, although it has yet to set up the promised inquiry.

Conrad Black: media rules prevent him bidding for Fairfax

Fujitsu plans new logic chip facility

By Michiyo Nakamoto in Tokyo

Fujitsu, the Japanese electronics group, said yesterday that it plans to invest about Y150bn ($1.39bn) in a new facility to manufacture logic chips in Japan next year.

Fujitsu, which owns a majority stake in ICL, the UK-based computer and computer services company, intends to strengthen its business in logic semiconductors in the wake of a worldwide plunge in memory chip prices.

Currently, memory chips make up 45 per cent of Fujitsu's semiconductor business, with logic chips comprising 42 per cent. Unlike memory chips, which store numeric information, logic chips – which include microprocessors, microcontrollers and digital signal processors – process signals or data.

The logic chips Fujitsu plans to manufacture will be used in television set-top boxes and portable terminals – a market which it believes will expand with the development of multimedia products.

Fujitsu said yesterday it would postpone for six months the start-up of a new flash memory facility it has built in northern Japan, in a joint venture with Advanced Micro Devices of the US. Flash memory chips, which retain information even after the electricity has been switched off, are used widely in portable equipment.

The facility was to have started volume production next May. However, expansion plans by competitors have raised concerns about falling prices and prompted Fujitsu to delay volume production. Fujitsu now expects its flash memory business in 1996 to generate sales of Y95bn, compared with an initial forecast of Y110bn.

Swire lifts first-half profit 5.6%

By Louise Lucas in Hong Kong

Swire Pacific, the Hong Kong conglomerate, yesterday reported a 5.6 per cent increase in interim net profit, to HK$3.05bn (US$394.4m) for the six months to June, from HK$2.89bn in the same period last year.

The results included a HK$463m exceptional profit from the disposal of shares in Dragonair, the territory's second carrier. The sale reduced Swire's stake, held jointly with its aviation arm, Cathay Pacific, from 43.16 per cent to 25.5 per cent.

Net operating profit fell 12.9 per cent, from HK$3.71bn to HK$3.23bn, in line with market expectations. The company said the drop reflected the timing of property sales, which brought in first-half profits of HK$59m, compared with HK$1.02bn last year.

Sales of main developments would begin in the second half. Analysts said Swire would sell flats in its residential block, Island Place, in the fourth quarter.

Rent increases and a full contribution from one of its new office blocks, Dorset House, produced "satisfactory growth" in net rental income, said Mr Peter Sutch, chairman.

Dorset House had been redeveloped by Swire, attracting a number of blue chip companies fleeing the higher rents commanded by landlords in the traditional business district of Central.

In aviation, Swire benefited from the HK$1.65bn net profits posted by Cathay Pacific, Hong Kong's de facto flag carrier, which reflected proceeds from the sale of shares in Dragonair.

Swire's stake in Cathay Pacific fell to 43.9 per cent following a HK$6.3bn new share issue after the April reshuffle.

Mr Mike Warren, analyst at Morgan Stanley, said that while the results matched his expectations, investors were likely to be disappointed by the performance of the industries division.

Earnings per A-share fell 10.47 per cent from HK$1.824 to HK$1.632. The directors are proposing a 10.3 per cent increase in the interim dividend, to 43 cents.

Japanese insurers begin shake-up

By Gerard Baker in Tokyo

Six of Japan's leading life assurance companies and 10 non-life insurers yesterday established subsidiaries to enter each other's business.

The new companies, set up after the finance ministry removed some of the main barriers between the two sectors earlier this year, will commence business on October 1.

The six life companies include the biggest, Nippon Life, as well as Dai-Ichi Mutual Life and Sumitomo Life, while among the 10 non-life companies are all the big insurers, including Mitsui Marine and Fire, Tokio Fire and Marine and Sumitomo Marine and Fire.

The change is likely to be more damaging for life assurance companies, which have been chronically weakened by the falling Japanese equity and property markets over the past five years.

Lower interest rates and a strong yen have further undermined the value of their assets, and several of them are barely able to meet the costs of their liabilities.

Non-life companies, by contrast, tend to be relatively sound institutions – rare in Japan's troubled financial markets.

The new subsidiaries will apply to the finance ministry for business licences later this month.

However, the move may cause further diplomatic problems for the Japanese government with the US.

The current trade talks between the two countries on the opening of the Japanese insurance market have stalled.

Washington is urging a freeze on entry into the accident insurance sector by the non-life subsidiaries of life assurers.

Strong six months for Daewoo Corp

By Haig Simonian

Daewoo Corporation, the trading and construction arm of South Korea's Daewoo industrial group, reported a strong improvement in pre-tax profits and sales in the first half of 1996, on the back of increased building contracts and active metals and commodities trading.

Turnover soared from Won6.56bn to Won9.13bn, while pre-tax profits jumped from Won38.59bn to Won51.32bn ($63m). The company ascribed the advance to improved building business in the domestic and foreign markets. It said the profits had also benefited from active trading in gold and other commodities.

Daewoo Corporation is one of the largest parts of the Daewoo group, South Korea's third biggest industrial conglomerate.

Besides building and trading, Daewoo Corporation's function is to arrange trade and project financing and to invest in domestic and foreign manufacturing projects. Its scope also includes property development and natural resource development.

The group's other main activities embrace the motor industry, shipbuilding, consumer electronics and finance.

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COMPANIES AND FINANCE: THE AMERICAS

NEWS DIGEST

AMR plans to float Sabre

AMR, the US parent of American Airlines, yesterday announced plans to float its Sabre computer reservation system on the stock market through an initial public offering that could value the company at about $3bn. The offering, led by Goldman Sachs, is expected to take place in the fourth quarter.

Sabre, which made pre-tax profits of $371m last year on revenues of $1.6bn, is one of the world's biggest computer reservation systems. Its main rivals are Amadeus and Galileo, both owned by consortiums of international airlines, but it also faces increasing competition from other companies providing information technology services, such as Electronic Data Systems.

AMR announced in April that it was turning Sabre into a separate subsidiary as a prelude to an initial public offering or some form of strategic partnership. Yesterday it said it had decided to sell up to 20 per cent of the subsidiary's common stock in an offering priced at up to $550m, retaining majority control of the company.

AMR believes Sabre will be able to compete more effectively as a stand-alone company because its managers will be more highly motivated and because other airlines will be more prepared to do business with a company that is independent of American Airlines.

The flotation will also cut AMR's costs by between $120m and $140m a year, partly because the relationship between the two will be put on a more commercial footing and partly because Sabre will assume $850m of airline debt. AMR's shares rose $2¼ to $84¼ in early trading yesterday. *Richard Tomkins, New York*

Pharmacia in deal with Gilead

Pharmacia & Upjohn, the US-Swedish drugs company, is to broaden its newly-created eye medicine operations by marketing Vistide, a drug made by Gilead, one of the few US biotechnology companies that has successfully launched a product. Vistide treats a complication of Aids, called CMV retinitis that can blind patients.

The deal signals Pharmacia & Upjohn's commitment to the eye medicine market following the aborted attempt to merge with Allergan, a US in the area. That deal was abandoned because of complications relating to a stake in Pharmacia and Upjohn held by Sweden's Volvo. Last month Volvo offered that stake for sale.

Under yesterday's agreement, Gilead will receive $10m on receipt of a European marketing authorisation for the drug. Pharmacia & Upjohn will also acquire $40m of newly issued Gilead preferred stock.

The stock will be priced at 145 per cent of the average closing price of Gilead's shares over the 30 trading days before marketing authorisation in Europe. Other financial terms, including royalty payments, were not disclosed.

Gilead shares rose $1⅞ to $19⅝ in early trading in New York. *Daniel Green*

Apple to stagger upgrade

Apple Computer, the struggling US maker of personal computers, has announced it will release a long-awaited upgrade to its Macintosh operating system in stages, in an attempt to give its customers early access to new technologies.

Speaking at the Macworld Expo trade show in Boston this week, Dr Gilbert Amelio, Apple chief executive, said the first piece of the new operating system would be available in January 1997. Additional operating system upgrades will follow at six month intervals.

The next version of the Macintosh operating system, known by its code name Copland, has been delayed by more than a year until the second half of 1997. The first piece of Copland, called Harmony, will include key Internet and video technology. *Tom Foremski*

Sara Lee up 18% in term

Sara Lee, the US food and consumer products group, ended its fiscal year to June with an 18 per cent increase in net profits from $214m to $253m in the final quarter, the company reported yesterday. For the full year, net income rose by 15 per cent to $889m and the company predicted further gains throughout the year just begun.

In packaged foods, operating profits rose by 9 per cent to $121m in the fourth quarter while in consumer products, operating profits rose by 14 per cent to $233m. In legwear, unit volumes were down but profits rose because of the company's increasing emphasis on higher-margin products. World-wide knit products saw double-digit profit increases, intimate sales increased 4 per cent, and the household and personal care division reported higher sales and operating profits for the quarter. *Richard Tomkins, New York*

Dataquest cuts sales forecast for Windows 95

By Paul Taylor

The continued success of older versions of Microsoft Windows has held back the uptake of Windows 95, Microsoft's latest personal computer operating system which was launched amid a blaze of publicity a year ago.

As a result, Dataquest, the US-based market research group – which had already been forced to cut its early over-optimistic predictions for Windows 95 sales – yesterday cut its forecast again.

The market research group now predicts that about 45.7m units of Windows 95 will be shipped by the end of 1996, down 27 per cent from estimates made earlier this year.

Microsoft itself has steadfastly avoided predicting Windows 95 sales, although the software group said recently that it expected to have sold 40m copies of the software by the 12-month anniversary of its launch later this month.

Dataquest said yesterday that its lower growth estimates for Windows 95 stem from corporate hesitation about moving to Microsoft's new operating system, a complicated and costly transition that in many cases requires upgrades of both hardware and software on thousands of personal computers.

"Large and medium-size companies are driving the continuing strong demand for Windows 3.1x," said Mr Chris Le Tocq, Dataquest's principal software analyst.

Mr Le Tocq said initially aggressive upgrade plans had been deferred, "driven by high expectations for Windows NT 4.0 and an assessment that Windows 95 is an interim desktop solution, a stepping-stone to Windows NT".

Windows NT 4.0 is the latest version of Microsoft's corporate desktop computer operating system. Microsoft has attempted to position Windows 95 as the operating system for home computers and ordinary desktops while targeting the more secure and robust Windows NT software at "mission critical" corporate applications.

However it appears that some corporate users are waiting for the new version of Windows NT which incorporates key features of Windows 95, including its ease-of-use, and is due to be released this autumn.

Earlier this year, Dataquest had forecast that Windows 3.1x shipments would shrink to 9.5m units in 1996, but because of demand for the operating system in the first half of this year, the research group said it now expects shipments to fall to 20.9m units this year, from 39.6m last year.

Dataquest still estimates that Windows 95 sales will still outpace shipments of all other operating systems in 1996, including Windows 3.1.

Service charges help lift Banco Itaú in first half

By Jonathan Wheatley in Sao Paulo

Banco Itaú, Brazil's second-biggest private-sector bank, said yesterday a doubling in receipts from service charges helped raise first half profits to R$277m ($274m), from R$187m in the same period last year, in spite of restrained economic activity and continuing high levels of non-performing loans.

Comparing the figures is complicated by recent changes in Brazilian corporate law. The government prohibited banks from publishing inflation-adjusted balance sheets at the end of last year as part of its anti-inflationary strategy of removing automatic adjustments from the economy.

Itaú said its profits in the first half would have been R$223m if adjusted in line with inflation of 7 per cent during the period.

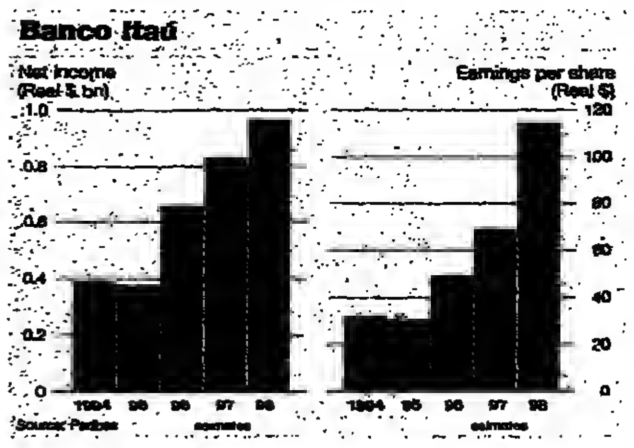
Return on shareholders' equity of R$3.54bn was 16.2 per cent according to corporate law; if adjusted in line with inflation, the bank said its shareholders' equity would have been R$3.67bn, giving a rate of return of 12.5 per cent, down from 13.7 per cent in the first half of 1995.

Mr Roberto Setubal, chief executive officer, said the bank'a performance was helped by an increase in business volume. "This was important as it compensated for the reduction in spreads," he said.

Brazilian interest rates remain very high by international standards in spite of continuing reductions. The central bank's basic rate fell from 2.78 per cent a month at the end of 1995 to 1.93 per cent in June.

Mr Setubal said the rate of loans overdue by between 11 and 30 days fell from 5.1 per cent in June 1995 to 2.2 per cent this year; the level was still high, however, and more progress was expected. Receipte from service charges rose to R$658m from R$326 last year.

Mr Setubal said the bank concentrated in the first half on implementing initiatives begun last year, including the purchase of Banco Frances è Brasileiro and a joint venture with Bankers Trust of the US. The results of these and other adjustments would be seen later in 1996 and in 1997.



Mr Jorge Kotani of Lafis, a São Paulo firm of analysts, said Itaú, in common with other Brazilian banks, was undergoing a cbange of emphasis from earnings on financial intermediation to retail services and other areas such as insurance and pensions.

"Last year banks were still making a lot of money on the free float provided by inflation," be said. "Tbose earnings are falling, but many banks still have the high levels of staffing that the old regime demanded, making them less productive. By next year the adjustments should be made – that's when banks' results will reflect their real earning power."

Downturn in UK travel limits Thomson to 6% rise

By Bernard Simon in Toronto

Thomson Corporation lifted second-quarter earnings by 6 per cent, with a slump in the UK package-tour market partly offsetting improvements in the Canadian-controlled group's publishing and newspaper business.

The travel division'e operating profits were down by 23 per cent to US$27m with a 6 per cent drop in sales.

Thomson ascribed tbe decline to "difficult" conditions in May and June. The company cut 1996 summer boliday capacity by more than 10 per cent in an effort to avoid last year's fierce price discounting.

Excess capacity resulted in eoma late-season price-cutting, although Thomson said overall discounts were lower than last year.

Group earnings climbed to US$89m, or 15 cents a share, in the three months to June 30, from $84m, or 14 cents, a year earlier.

Sales shrank by almost 4 per cent to $1.76bn, reflecting lower travel revenues and the disposal of UK and North American newspapers.

First-half earninge advanced to $33m, or six cents, from $11m, or two cents. Sales fell to $3.09bn from $3.17bn. The improvement was largely due to the sale of Thomson'e Scottish newspaper centre early this year, and to lower debt-service charges.

Toronto's Thomson family, which controls 69 per cent of Thomson's shares, said separately it had extended to mid-2002 its commitment to reinvest at least half its dividends from the company.

The extension reflects Thomson's appetite for cash following its recent $3.4bn purchase of West Publishing, the US legal publisher.

The dividend reinvestment will be accomplished by quarterly purcbases of Thomson shares through private placements. The family plans to inject C$47.5m through tbe first private placement on September 16.

The publishing division's operating profit rose to US$101m from $85m, in spite of bigber costs to develop new products in the health-care, financial and professional publishing sectors. West's results have been included for the final 10 days of the period.

Thomson Newspapere' earnings rose to $61m from $53m, with cost-cutting measures producing improved margins.

Bonus payout for ABB AG investors

By William Hall in Zurich

ABB, the international electrical engineering group based in Switzerland, is looking to tidy up its complicated capital structure by giving shareholders of ABB AG, one of its two quoted parents, a special payment totalling SFr456m ($377m). The group announced the move yesterday as it reported first-half net income up 22 per cent at $556m.

The special payment, which is similar to a bonus dividend, is being made because ABB AG, the Swiss parent, has surplus cash on its balance sheet, unlike ABB AB, its Swedish sister. ABB believes the repayment of capital, which will be effected by a reduction in the nominal value of ABB AG's shares, is the most tax-efficient solution.

The capital repayment, combined with the 11th consecutive quarter of double-digit profit growth, led to a SFr9 rise in ABB AG's bearer shares, to SFr1,492. The 22 per cent growth in first-half profits, while considerably slower than in 1995, compares with a 4 per cent rise in revenues, to $16bn, and an unchanged order intake of $18bn.

ABB said the growth reflected continued productivity gains, more low-cost manufacturing in emerging markets, and other cost-cutting measures. Mr Percy Barnevik, ABB chairman, said he saw "no end in sight" to the scope for cost reductions, and noted that the group's second-quarter net income grew 25 per cent compared with 19 per cent in the first three months of 1996. ABB expects to report a further rise in net income for the full year.

However, the company is feeling the slowdown in many of its main markets. Pre-interest operating earnings rose only 4 per cent, to $1.43bn, with net income boosted by a drop in interest charges and a fall in the tax rate from 42 per cent to 40 per cent.

ABB said operating earnings of industrial and building systems, its biggest sector, improved "substantially", as did its power transmission and distribution businesses.

However, power generation, ABB's most profitable business, reported lower profits, in spite of a 22 per cent jump in orders to $5.2bn. The company blamed competitive pricing and expects lower earnings for the full year. Profits at Adtranz, the joint venture with Daimler-Benz, also fell.

ABB's revenue and order figures are depressed by the merger of its railway transportation business with that of Daimler-Benz at the start of 1996. Adjusting for this, ABB's revenues rose 9 per cent and the order intake, 7 per cent. However, ABB said the slowdown in its order intake confirmed the sluggishness in industrialised markets, particularly in western Europe.

The decision to reduce the capital of ABB AG, by halving the nominal value of the SFr100 bearer shares and the SFr20 registered shares, is the latest in a series of moves to unify the structure of the group.

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Growth warning as Veba rises 17%

By Michael Lindemann in Bonn

Veba, the German industrial conglomerate, said yesterday that interim net profits rose 17 per cent to DM743m ($501m), but warned it would not maintain the strong growth during what is expected to be a lacklustre second half.

The jump in net profits was driven mainly by PreussenElektra, Veba's electricity subsidiary, which benefited from a long winter.

Other Veba activities fared less well. Profits in the Hüls chemicals division fell by an unspecified amount in spite of higher demand for its silicon wafers.

Worst affected was the trading and services division, Veba's biggest, which was hit by a downturn in the construction industry during winter and by growing competition on Germany's inland waterways where Veba operates a fleet of barges. Veba shares fell DM1.67 to close at DM77.

However, in spite of few signs of growth in the coming months, the Düsseldorf-based group, led by Mr Ulrich Hartmann, said it expected to "significantly improve" on last year's net profits of DM2.1bn because of further productivity gains and fewer exceptional charges.

Stronger competition and general economic stagnation meant that several of Veba's activities were hit by price falls, which caused a 0.5 per cent drop in group sales to DM36.59bn, down from DM36.78bn during the same period a year ago.

Prices for commodity chemicals fell "significantly" although Veba declined to give figures, while prices for specialty chemicals edged off slightly less.

Makhteshim reaps rewards of strategy

Brand registration has helped Israeli agrochemical group's overseas expansion

Makhteshim-Agan, an Israeli generic agrochemicals group, was exporting to its Arab neighbours long before the peace accord in 1993.

And, after more than doubling net income in the last six years, to US$25m, it hopes to maintain steady growth by penetrating new markets. Last week, the company spent $7m buying 49 per cent of Aragonesas Agro, a Spanish manufacturer and distributor of crop-protection chemicals with 1995 turnover of $32m.

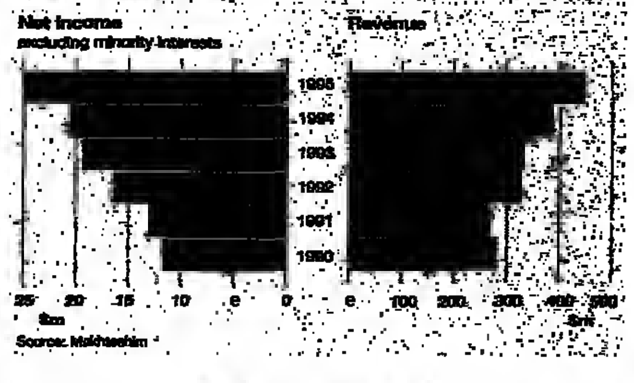
The group is divided into two: Makhteshim Chemical Works, which is 65 per cent owned by Koor Industries, produces insecticides and fungicides; Agan, 47 per cent-owned by the group, produces herbicides. The two account for 85 per cent of the group's output, with other products, including specialty aroma chemicals and industrial chemicals, making up the remainder. The group's basic strategy is to enter production and marketing immediately after product patents expire.

Group revenues reached $449m in 1995, up 15 per cent on 1994, while net income, excluding minority interests, rose 20 per cent to $24.8m.

While revenues trail non-generic or "ethical" companies, Makhteshim leads the pack among international generic manufacturers.

The bulk of sales are outside Israel – 85 per cent in 1995 – but the value-added nature of Makhteshim's products, which sell for thousands of dollars a ton, offsets shipping costs. "That takes away the so-called disadvantage of manufacturing at the corner of the world," says Mr Daniel Porat, Makhteshim vice-president.

While the world agrochemical market grew 15 per cent between 1990 and 1995, to $30.3bn, Makhteshim's revenues surged almost 60 per cent. The company attributes its success to spending during the 1980s on registering products abroad – these investments reached $12m-$15m a year in the early 1990s. As registration procedures grew stricter, however, investment in what the company calls "defensive data" paid off and eased entry into new markets.



Makhteshim's strategy shifted to acquiring distribution companies and expanding into new markets. Especially attractive is South America, where the agrochemical market grew 31 per cent between 1993 and 1995, to $3.27bn. The continent is also attractive, says Makhteshim, because patents expire after 15 years, compared with 20 years in most countries.

In February, Makhteshim bought 49 per cent of Herbitecnica, a Brazilian-based pesticide company with 1995 revenues of $61.5m, to serve as a marketing and manufacturing vehicle for further penetration in Latin America. Analysts say Herbitecnica should contribute more than $35m to consolidated group revenues in 1996.

But despite strategic planning and a solid 1995, Makhteshim has showed signs of slowing, and the company sees growth dropping to about 5 or 6 per cent.

Revenues for the first quarter of 1996 rose 12.3 per cent to $171.8m, but net profits slipped from $12.8m last year to $12.2m. The results reflected high raw materials prices and unfavourable weather conditions in important markets, which served to do Makhteshim's job for farmers by preventing development of crop-damaging fungi and pests.

Meanwhile, the company is struggling to sell its troubled paint plant Prizma. Prizma's $2.5m losses in the past two years were written off in the fourth quarter of 1995, and another $1.3m was written off in the first quarter of 1996.

Analysts remain generally upbeat about the company. Salomon Brothers recently lowered estimates of annual earnings per share in 1996, from $0.51 to $0.46, but continued to rate Makhteshim "cautiously" with a buy recommendation.

Makhteshim's performance should improve as lower raw material prices begin to feed through, and because global demand for agrochemicals remains strong. In coming years, Salomon Brothers says, "there is no question that it will continue to be the largest and most successful generic manufacturer".

Avi Machlis

NEWS DIGEST

Margins squeeze hits Fokus profit

Fokus, the Oslo-based bank, yesterday announced a fall in interim profits from NKr311m to NKr261m ($40.7m). Profit before credit losses dropped from NKr297m to NKr276m. Net interest income, the bank's core business, fell from NKr497m to NKr463m, reflecting the tough competition and continuing pressure on interest margins that Norwegian banks face.

Total other income was down from NKr228m to NKr219m. Operating costs, however, also fell, from NKr428m to NKr405m in the first half 1995.

Fokus's result came the day after Christiania Bank, Norway's second-biggest commercial bank, reported second-quarter net profits down 50 per cent to NKr544m because of a big reduction in the recovery of previously written-off loans. But Christiania's net interest income grew 8 per cent to NKr846m and total non-interest income was up 17 per cent at NKr391m.

The Norwegian government was left holding majority stakes in several of the country's banks, including Fokus and Christiania, after rescuing them from a bad loans crisis in 1990. The banks returned to profit about two years ago, and the State Bank Investment Fund last October reprivatised Fokus by selling off its 95.9 per cent stake in the bank. The government in June sold 19 per cent of shares in Den norske Bank (DnB), reducing the state-held stake to 52 per cent. Earlier, the state cut its stake in Christiania to 51 per cent from 69. DnB will present its half-yearly results on August 13. *Reuter, Oslo*

FLS signs deals worth $156m

Fuller, one of the leading manufacturers of cement mills, has signed contracts worth around $156m. The company, part of the Danish FLS group, said it had agreed three large deals with Korean firms, and two in North America.

The largest contract, worth $65m, is with Korea's Daewoo Corporation for a clinker production line destined for Indonesia. Fuller has also signed a $45m deal with Korea Heavy Industries and Construction for process equipment for Perak Hanjoong Simen in Malaysia. A further $10m will come from the sale of components for a production line operated by Halla Cement in Okke, Korea.

The orders confirm reports of strong growth in south-east Asia at FLS year-end in March. Group turnover in 1995 was DKr18bn ($2bn), up 25 per cent on the year-ago figure. Fuller's subsidiary, Fuller-FL Smidth & Co, is supplying equipment and services for a new production line at Lafarge Canada's plant in Richmond, British Columbia. The sale is worth about $15m. Earlier this year, Fuller secured an order for a further $15m from Ash Grove Cement in Utah.

Andrew Arnold, Copenhagen

Santander cuts US bank stake

Banco Santander, the Spanish banking group, said it had sold a 1.3 per cent slice of its stake in First Union Corporation of the US for $230m on the New York Stock Exchange. It indicated it would probably make further small disposals to bring its holding in the North Carolina-based bank to just below 10 per cent.

The block sale of 3.57m shares, handled by Goldman Sachs, means a capital gain of Pta14.03bn ($111.3m) for Santander, which will be reflected in its third-quarter results. Analysts saw the move as freeing up resources for new investments, especially in Latin America. Santander said the sale would enable it to strengthen its capital ratios under Spanish legislation governing regulatory treatment of non-consolidated shareholdings.

The bank received its 11.4 per cent stake in First Union in exchange for a 29.9 per cent holding in New Jersey's First Fidelity, under the terms of a merger between the two US banks which took effect in January this year. Since the merger, First Union has joined the IBOS cross-border banking network which Banco Santander set up with Royal Bank of Scotland five years ago, and which includes six other European banks. The Spanish group recently reported a 13.2 per cent rise in attributable net profit for the first half, to Pta45.9bn.

David White, Madrid

Nordtank in Iranian deal

Danish windmill manufacturer Nordtank has sold 27 wind turbines to Iran in a $10m deal financed by the World Bank. The order, for 19 300KW and eight 550KW generators, is the second order from Iran. Nordtank says the order is a significant breakthrough, both in the Iranian market and in dealings with the World Bank.

Andrew Arnold

Infonie admits to poor sales

French online service group Infonie yesterday admitted sales were weak, but said it remained confident it would reach break-even without making a cash call. "It's clear that our sales are not going as well as we thought," Mr Christophe Sapet, managing director, said. "But we remain confident. We will go on the offensive."

Mr Sapet said Infonie was confident of having 10,000 subscribers by September 19, when it plans an announcement to coincide with the Apple Expo in Paris.

Reuter, Paris

Transocean fails to meet forecasts

By Greg McIvor in Stockholm

Transocean Drilling, the Norwegian offshore drilling company targeted in a takeover bid by Sonat Offshore Drilling of the US, yesterday reported improved underlying first-half profits. However, it failed to match market expectations.

The company rebounded from a net loss of NKr118m a year ago to post a NKr320m ($50m) net profit. However, the figures were NKr50m below analysts' forecasts, and were distorted by a NKr332m gain from the sale of assets at its Anchor Drilling Fluids subsidiary.

Mr Reidar Lund, Transocean president and chief executive, blamed the underperformance on a strike among Norwegian oil service workers in June, which cost the group NKr26m. A further NKr36m of expenses were blamed on a troubled "turnkey" drilling contract in Argentina.

However, Mr Lund painted an optimistic picture of second-half performance, saying the full effect of an improved offshore business climate would be felt in the period. Profits from floating and fixed platform operations, the largest business area, would "improve considerably", and stronger demand for well intervention services would lift performance in that division.

The merger with Sonat would benefit both companies, he said, yielding "flexibility and solidity" while cushioning Transocean against cyclical swings.

Houston-based Sonat appears to have won the battle for control of Transocean against local rival Reading & Bates, after raising its bid to $1.5bn in May. The Norwegian company had made clear its preference for Sonat, whose final bid prompted Reading & Bates to withdraw an earlier higher offer.

COMPANIES AND FINANCE: UK

United Friendly and Refuge to merge

By Motoko Rich

United Friendly and Refuge Group, the life insurance groups, yesterday announced a £1.46bn ($2.27bn) merger in a move which accelerates the pace of consolidation in the UK life insurance sector.

The merger, which is being structured as a recommended offer by Refuge for United Friendly, follows other significant developments in the insurance industry, including the merger between Sun Alliance and Royal Insurance, the flotation of Sun Life & Provincial by UAP, the French assurer, and the acquisition of Clerical Medical, the life assurer, by Halifax Building Society.

Mr George Mack, who will become chief executive of the enlarged United Assurance, said the merger would provide substantial opportunities for cost-cutting, although he declined to say how much would be saved.

He said that about a quarter of the combined group's 7,000-strong workforce would go and that United Friendly's head office in London, as well as some of the enlarged group's 279 branches, would be closed.

"We are not giving specific figures on the costs savings achievable, but clearly the amounts are significant," said Mr Mack.

The City generally welcomed the industrial logic of the deal.

"One has to applaud the companies getting together to make costs cuts," said one analyst.

However, analysts said the home services market in which the two companies operate was in decline. In particular, sales of industrial branch policies – under which small premiums are collected every few weeks from customers' homes – were under pressure.

Sales of these policies have fallen in both Refuge and United Friendly since 1992, and the Prudential Corporation, the UK's largest life insurer, exited the market for industrial policies altogether in 1994.

"In the long term, the home services market is not terrible attractive," said one analyst.

"But the market won't die overnight, and it will provide a reasonable living for a small group of companies. United Friendly and Refuge might not have made it into that small group without this deal."

Under the terms of the merger, United Friendly shareholders will hold about 53 per cent of United Assurance, while Refuge shareholders will hold about 47 per cent of the combined group.

Refuge yesterday declared a special bonus of £101m for policy holders, to be paid on maturity, and a bonus of £11m for shareholders.

NEWS DIGEST

Invesco seeks acquisitions

Invesco, the fund manager, yesterday finally put its damaging association with Mr Robert Maxwell behind it when it reported sharply higher first-half pre-tax profits and announced it was on the acquisition trail.

The company, which managed some of the company pension funds which Mr Maxwell raided, announced a jump of 42 per cent in pre-tax profits excluding exceptional items to £32m ($49.9m) in the six months to June 30.

Revenues benefited from strong equity markets and new business, which lifted funds under management to £58.4bn. That, combined with control over staff costs, improved operating margins to 37 per cent, up three points from 1995.

Invesco warned that the volatile US market, where it does most of its business, might prompt redemptions by the retail investors of the savings they had piled into mutual funds.

But it said a third of the US investments it managed were earmarked for bonds and other fixed income securities, diluting its exposure to US equities. The risk of a US ties downturn also mitigated the group's international business.

Mr Charles Brady, chairman, said the group could raise about $1bn to make an acquisition. The priority was expansion in Asia, then Europe, and then the US. There were few attractive targets in Asia, however, he said.

Nicholas Denton

Approval for Glaxo Aids drug

Glaxo Wellcome yesterday received European marketing approval for its Aids drug Epivir, which is also known as 3TC.

With US approval already granted, this means that the drug is, or will shortly be, available in most of the world's main markets. Analysts have forecast sales for the drug of up to $400m a year.

Epivir is one of the cornerstones of the latest treatments for HIV infection and Aids that involve combinations of two or, more usually, three drugs.

It is one of the drugs in most of the combinations being studied by doctors. Trial results published this year show that triple therapies can reduce the levels of HIV in patients' blood to below detectable levels.

This is not yet a cure because the virus may be able to survive in "sanctuaries" and be able to emerge when the drug is withdrawn. The other two drugs are usually Glaxo's AZT, one of the oldest Aids treatments, and a member of a class of drugs called protease inhibitors.

Daniel Green

Share dealings postponed

The opening of dealings in GT Chile Growth Fund Holdings and Regent Kingpin Chile Value Fund was postponed yesterday after it emerged that the Regent fund does not satisfy the listing requirements of the London Stock Exchange.

The two funds are the result of the break up of the GT Chile Growth Fund following the bid by Regent Kingpin. GT and Regent agreed to split the fund, but laid down a number of conditions before the scheme could become effective. One condition is admission to the Official List of the shares in both funds. However, the Regent fund is not currently admissable because less than 25 per cent of its shares are in public hands.

Roger Taylor

EMI plan angers leading holders

By William Lewis and Alice Rawsthorn

Leading institutional shareholders have expressed concern over a proposed bonus scheme for directors of the EMI music group which could pay out a bonus each year worth up to 180 per cent of salaries.

The proposed Senior Executive Incentive Plan (SEIP), a type of long-term incentive plan (L-Tip), is potentially the most lucrative L-Tip in any UK public company.

Mr Jim Fifield, the US-based chief executive of EMI, would be the chief beneficiary. "Lucky Jim", as he is nicknamed in the City, would be entitled to the maximum 180 per cent bonus. This would have amounted to £3.46m on his base salary of £1.92m last year, when he actually received a cash bonus of £1.92m as part of a total £7.38m package.

Other EMI directors would receive slightly less substantial bonuses under the new proposals. Sir Colin Southgate, chairman, would be entitled to up to 140 per cent of his base salary. On last year's salary of £506,000 (part of a £755,000 package) Sir Colin's bonus would have been £708,400.

Shareholders say that the proposed terms are too complex and potentially too lucrative. Some are threatening to vote against it, if they remain unable to understand the scheme.

The incentive plan has been presented to Thorn EMI's shareholders as part of a package of proposals intended to demerge the Thorn rental company from EMI Group, which includes one of the world's largest record companies and the HMV record shops. Shareholders will vote on the proposed demerger next Friday. If they endorse it the shares of Thorn and EMI will trade separately from Monday.

Accounting change hits Rank

By Scheherazade Daneshkhu

Rank Organisation will increase investment in its Hard Rock cafés, bingo clubs, casinos, Odeon cinemas and multi-leisure centres. Mr Andrew Teare, chief executive, said the aim was to drive profits up in core managed businesses. They would also grow through acquisition.

Pre-tax profits fell from a pro forma £444m to £128m ($200m) in the six months to June 29.

This year Rank has changed the way its treats its 20 per cent share of profits in Rank Xerox, the office equipment joint venture, by accounting for it as a dividend instead of an associate. Had Rank continued to equity account the stake, pre-tax profits excluding non-operating items would have risen 11 per cent to £176m. This includes a one-off gain of £18m in Precision Industries and a £7m charge, mainly for redundancies, at Rank Xerox.

Turnover increased 10 per cent to £940m.

Mr Teare said Rank's businesses had made "good progress in this seasonally less important part of the year". The benefits of new openings and capital expenditure were expected to come through in the second half.

An increase in profits in the film and entertainment services and recreation divisions was mitigated by a flat performance from the new stand alone Hard Rock division and a fall in the holidays division.

Mr Teare said geographical expansion would be pursued in Hard Rock by opening a café a month over the next 18 months.

Its share of Rank Xerox profit was £78m (£97m).

Brendan Corr

Andrew Teare (left) with Sir Denys Henderson, chairman

Willis dismisses merger talk

By Ralph Atkins, Insurance Correspondent

Willis Corroon, the insurance broker, yesterday formally dismissed suggestions that it would seek a merger with another of the "big six" global brokers and pledged to retain its independence.

Mr John Reeve, Willis' new executive chairman, announced the conclusions of the group's latest strategic review alongside results showing a 6 per cent increase in pre-tax profits to £70.6m ($110.1m) in the six months to June 30.

Excluding £2.4m profits from the disposal of non-core businesses, profits from continuing operations grew by 4 per cent.

Speculation about large-scale brokers mergers has been triggered by deteriorating trading conditions, resulting in a squeeze on income through falling insurance rates.

The half-year results benefited from a strong US performance and a cost cutting programme launched in late 1994. Willis said further disposals of non-core businesses were likely. Mr Reeve hinted that Willis might make smaller-scale acquisitions. It was seeking "leadership positions" in unspecified market sectors.

Reed Elsevier advances 13%

By Tim Burt

Reed Elsevier, the Anglo-Dutch publishing and information group, reported a 13 per cent rise in first-half profits after strong volume growth and subscription renewals for its scientific and professional journals.

Operating profits from continuing operations rose from £389m to £439m ($684.8m) on underlying sales of £1.7bn ($1.59bn) in the six months to June 30.

Although headline turnover dipped from £1.81bn following last year's sale of five consumer publishing subsidiaries, the figures were slightly ahead of analysts' expectations.

"Our businesses have demonstrated strong organic growth in a period when we are investing more heavily in new electronic information," said Mr Nigel Stapleton, co-chairman.

Of the four divisions, the sharpest improvement was reported in professional publishing, where margin increased by one percentage point to 25.4 per cent.

Mr Stapleton said rising demand for online business and legal information at Lexis Nexis, the US electronic information business acquired for $1.5bn in 1994, helped lift operating profits in the professional division from £113m to £134m.

Earnings per share at Reed International, the group's UK-listed parent, rose from 26.3p to 29p. At Amsterdam-quoted Elsevier, earnings rose from Fl 0.52 to Fl 0.57.

Profits attributable to the Dutch parent rose from Fl 360m to Fl 399m, while Reed International saw its share rise from £148m to £165m. Reed shareholders will receive an interim dividend of 8.25p (7.5p); Elsevier's will get Fl 0.2 (Fl 0.18).

Nynex cuts interim losses

By Jane Martinson

Better cost controls and increased revenues helped Nynex CableComms, the second largest cable operator in the UK, cut its interim losses by more than two-thirds.

Losses before interest, tax, depreciation and amortisation were reduced from £31.8m to £9.7m ($15.1m) in the six months to June 30.

Pre-tax losses were cut from £57.5m to £41.9m on turnover more than doubled to £68.1m (£35.3m).

Staff and administrative expenses of £48.1m since the beginning of this year represented 71 per cent of revenues, down from 148 per cent.

Unflattering comparisons with the rest of the sector prompted Nynex to start a cost-cutting programme which included the loss of 300 jobs.

Total operating costs increased 25 per cent to £102m, principally because of an increase in programme and telephony costs. The company said that cable television remained an area where improvements could still be made.

Mr John Killian, president and chief executive officer, refused to comment on any link with other companies such as Telewest, but said he believed there would be consolidation in the industry over the next few years, with the biggest incentive being the increased customer base.

RESULTS

	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Benson Crisps	6 mths to May 25	15.9	(14.13)	0.555	(0.955L)	1.1†	(2.5L)	0.25	Oct 3	nil	-	nil
Break for Border	Yr to Mar 31	19.02	(10.95)	1.11	(1)	3.21	(5.28)	1.15	Nov 21	1.15	1.65	1.48
Burlington	6 mths to June 30	-	(-)	0.074	(0.057)	0.44	(0.35)	-	-	-	-	0.7
Coutts Consulting	6 mths to June 30	19.8	(16.2)	1.52♠	(0.716♠)	1.54	(0.64)	0.75	Sept 20	0.6	-	2
Invesco	6 mths to June 30	114.3	(91.1)	32	(25.8♥)	9.1	(8.1)	2大	Oct 1	1.75	-	5.75
Morgan Sindall	6 mths to June 30	112.7	(77.6)	2.22	(1.26)	5.52	(3.3)	1.35	Sept 5	0.85	-	2.7
Nynex	6 mths to June 30☆	68.1	(35.3)	41.9L	(57.5L)	3.8L	(4.7L)	-	-	-	-	-
Rank Organisation	6 mths to June 29☆	940	(854)	128	(444♥)	10.1	(45.2)	5	Oct 8	4.75	-	15.75♦
Reed Elsevier	6 mths to June 30‡	1,700	(1,811)	417♥	(370)	29.1	(26.3)	8.25	Oct 7	7.5	-	24.5
Unión	6 mths to June 30	-	(-)	3.36♥	(0.792L♠)	9.6	(3L)	1.5	Sept 25	1.5	-	3
Westminster Health	Yr to May 31	86.1	(69.5)	17.6	(13.8)	23.5†	(21.8)	3.65	Oct 3	3.3	6	5.4
Willis Corroon	6 mths to June 30	365.2	(357.7)	70.6	(66.3)	10.7	(9.7)	1.65✣	Oct 1	1.65	-	6.6
Wyke	Yr to Apr 30	85.9	(59.6)	5.07	(1.66♥)	6.78	(2.9)	1.25	Oct 25	0.75	2.25	1.25

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
NatWest Smaller	Yr to June 30	168.18	(120.08)	1.84	(1.59)	3.9	(3.36)	2	Sept 30	1.875	3.125	3
Shires Smaller	6 mths to June 30	180.4	(154.9#)	0.544	(0.586)	2.8	(3.02)	1.325§§	Sept 30	1.25	-	5.7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. 大Foreign income dividend. ☆Comparatives pro forma. ♦For 14 months. ‡Earnings and dividend figures are for Reed International. ✣Third interim; makes 4.95p to date. #At December 31. §§Second interim, makes 2.65p to date.

هكذا من الأصل

US Treasuries weaken ahead of auction

By Lisa Bransten in New York and Samer Iskandar in London

US Treasury prices were modestly weaker in early trading yesterday as traders prepared for an afternoon auction of $10bn in 30-year notes.

Near midday, the existing 30-year Treasury bonds were $\frac{3}{32}$ weaker at 89$\frac{13}{32}$ to yield 6.791 per cent. Bonds often fall in advance of an auction as traders try to push up the yield to attract retail and institutional investors.

At the short end of the maturity spectrum, the two-year note was unchanged at 100½, yielding 5.960 per cent. The September 30-year bond future, listed on the Chicago Board of Trade, fell ⅛ to 111$\frac{5}{16}$. The slope of the yield curve between two-year and 30-year maturities steepened by 7 basis points to 83 basis points.

Results of the auctions of three-year and 10-year notes held earlier this week were lukewarm, leaving some fears that demand for long bonds could be weak.

The market showed little reaction to the release of weekly employment figures that were in line with analysts' estimates. The Labor department reported that first time claims for unemployment benefits rose by 24,000 to 318,000 last week.

GOVERNMENT BONDS

■ Activity in most European markets was subdued. French OATs, however, recovered slightly relative to German bunds, the 10-year yield spread tightening by 2 basis points to 3 points. Buying – albeit in moderate volumes – took place late in the day, as the franc's recovery on the foreign exchange market prompted traders who had sold OATs short in previous days to cover their positions.

Matif's September notional future settled unchanged at 123.62, while the Pibor contract gained 0.04 to close at 95.93. Traders also reported some switching out of three-month euromark futures – which had outperformed in the past few days – into three-month Pibor futures. Observers warned, however, that the recovery looked fragile, as the risk of social turbulence appeared to be rising.

■ UK bonds were weak yesterday, but analysts said gilts stood to benefit in coming weeks from the strength of sterling against other currencies. Liffe's September long gilt future closed at 107$\frac{15}{16}$, down $\frac{5}{16}$.

Mr Andrew Roberts, a gilt analyst at UBS in London, said increased expectations of a rate rise – for the reduced chance of another cut – favoured curve flattening trades. Traders confirmed such transactions had taken place, with investors selling short maturities to buy bonds maturing in five years or more.

Mr Roberts said this strategy was particularly attractive owing to the steepness of the yield curve, which allows a yield pick-up of around 100 basis points between two and five years, the highest level in more than four years.

Traders also said gilts had suffered from speculation that the economic recovery, led by the retail sector, remained robust and might show stronger-than-expected inflationary pressures.

■ Italian bonds rose in early trading, but closed off their intra-day highs, hit by a slightly weaker US Treasury market. Liffe's September BTP future settled at 116.58, up 0.20, after reaching a high of 116.78.

In the cash market, the 10-year benchmark BTP closed 0.08 higher at 101.74, its yield spread over bunds narrowing by 7 basis points to 311. But analysts expect trading to remain confined in a narrow range until the release of consumer price data later this month.

"We need [an annual growth rate in consumer prices of] less than 3.5 per cent to revive rate cut expectations and allow the convergence process to resume," said one analyst.

■ Spanish bonos also closed higher in technical trading. The September future on 10-year bonos ended a volatile session up 0.25 at 100.71. In the cash market, the 8.80 per cent bono due 2006 also gained 0.25 at 99.48, its yield spread over bunds tightening by 7 basis points to 256.

Scramble for Abbott issue highlights shortage

By Antonia Sharpe

Yesterday's debut eurobond offering from Abbott Laboratories got a hotter reception than the US drugs company and lead manager Goldman Sachs had bargained for, as overwhelming "shorting" of the deal caused the spread almost to halve.

INTERNATIONAL BONDS

Syndicate managers said the dramatic tightening in the yield spread on the bonds from 17 basis points to 7-8 basis points over Treasuries indicated that the $250m five-year deal had been mispriced.

However, Goldman Sachs said the spread had tightened as investment banks scrambled to get the bonds to cover their short positions. Goldman added that the tightest the spread reached was 9-10 basis points, and forecast it would widen further once the market settled down.

Ironically, Abbott's decision to reward its commercial banks with a place in the syndicate, as opposed to inviting investment banks, contributed to the spread narrowing.

This meant that leading eurobond houses, particularly those with distribution to Continental European retail investors, were forced to bid aggressively.

The scramble for Abbott's bonds reflects the chronic lack of supply facing investors, who want to get back into the market now that sentiment has improved. This situation has caused spreads on outstanding 10-year dollar eurobonds to come in by 5-6 basis points since the start of the week.

Elsewhere, Citibank Credit Cards continued to build up a profile with Continental European investors by launching its second D-Mark securitisation, this time extending from three to five years.

Mr Charles Wainhouse, treasurer, said Citibank Credit Cards had securitised $3bn worth of credit card receivables in the eurobond market to date this year, and planned a further $4bn before year-end.

The Swiss franc sector remained lively, with DSL Bank riding on the back of Sweden's successful 10-year deal on Wednesday.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Abbott Laboratories	250	6.50	99.712R	Sep 2001	0.25R	+17(6¾%-01)	Goldman Sachs Intl
Bayerische Vereinsbank(d)	250	6.375	99.834R	Sep 2000	0.225R	+10(#)	ABN Amro HG/Paribas
D-MARKS							
CCCMT L 96-4, Cls A(a)‡	1bn	(a1,a)	(a1)R	Aug 2001	0.20R	-	Goldman Sachs & Co Pft
SWISS FRANCS							
DSL Bank	200	4.50	102.60	Sep 2005	2.75	-	SBC Warburg
Australian Industry Dev Corp	150	4.25	103.00	Sep 2003	2.50	-	ABN Amro/Credit Suisse
Bayerische Landesbank(e)	150	3.75	102.55	Dec 2000	1.75	-	UBS
LUXEMBOURG FRANCS							
Arbed§	2bn	6.75	102.625	Dec 2003	1.875	-	BCEE/BGL
DANISH KRONER							
Great Belt§	400	6.875	101.65	Dec 2003	1.875	-	Den Danske Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Citibank Credit Card Master Trust. Legal maturity: 18/8/03. a1) Priced today to yield 3-mth Libor +8bp. § Over interpolated yield. ¶ Long 1st coupon. e) Short 1st coupon.

Dublin's futures exchange set to close

By Peter John

Ifox, the Irish futures exchange, is set to close at the end of this month through lack of business.

From peak turnover of 27,000 contracts a year in 1990, the Dublin exchange has seen volume among its 24 members dwindle to only 7,000 contracts in 1995.

Mr Mick Dunne, one of the directors, said yesterday: "Any time [Ifox] came close to generating acceptable volume it was due to a concerted effort by a small number of institutions. It is not adding value."

However, Mr Fergus Sheridan, who was co-opted as chief executive from an independent risk management company to look at the future of the exchange, said its closure would be "not a major passing" but a reflection of the shift into more sophisticated dealing within the Irish market.

Ireland moved from using agency brokers to market-makers at the end of last year, and the inter-dealer broker system rapidly became the principal hedge mechanism.

Mr Charles Haughey, then Irish prime minister, launched Ifox in 1989 as a computer-based automated market. It was the first exchange to be created in Ireland since the Dublin Stock Exchange in 1799.

Ifox hoped to list futures contracts linked to Irish equities and options contracts on gilts, currencies, equities and interest rates. It currently trades three gilt futures contracts and one interest rate future.

The board is to meet on August 28 and it is likely that it will vote to wind down the business.

Clearing house deal for EMTA

By Peter John

Standardisation of the $2,740bn market in emerging economy debt moved closer yesterday with firm details of a new $3m clearing operation.

The Emerging Market Traders Association, representing leading investment banks as well as local members, has signed a memorandum of understanding with the International Securities Clearing Corporation.

EMERGING MARKETS

The new Emerging Markets Clearing Corporation is expected to include the world's leading 30-40 global emerging market dealers and brokers. It will cost $1.5m to set up and a further $1.5m to run for the next five years.

It will begin by concentrating purely on Brady bonds – securities issued in exchange for bank loans – but is expected to develop its remit to cover eurobonds and domestic securities such as Russia's MinFin bonds.

Funding will come from the principal investment banks, which will also be responsible for policy with the help of the world's main clearers – Euroclear, Cedel and ISCC – as well as EMTA itself.

The operation aims to:

- Cut counterparty risk by 75 per cent.
- Allow for cheaper risk management.
- Reduce costs further, for example through economies of scale and more efficient processing.

Mr Michael Chamberlin, executive director of EMTA, said yesterday that establishment of an industry-owned and directed clearing corporation operated by ISCC was the result of a year's research. It represented "a major step forward in the orderly development of the emerging markets trading industry."

The move will break the stranglehold of big Japanese brokers, particularly Daiwa Securities, which currently dominate the clearing business within the sector.

Establishment of the clearing house is a sign of the increasing maturity of emerging markets, which have gained widespread appeal as investment returns in developed countries have narrowed. Trading volume has surged from $734bn in 1992.

The need for a strong regulatory framework was underlined yesterday by Mr Jack Wrigglesworth, chairman of Liffe.

Following a visit to several Chinese futures exchanges, Mr Wrigglesworth said that Liffe was unable to reach any agreement for co-operation and joint trading because of the "lack of a proper law".

"You have to be seen to have proper rules and proper disciplinary procedures [which] have got to be seen to be applied fairly and transparently," he said.

China's futures exchanges trade a number of commodity contracts ranging from metals to green beans. However, regulators banned trading in the only financial derivative product – treasury bond futures – in May 1995, after serious trading irregularities.

The will by emerging markets brokers to take control of the whole transaction business themselves coincides with a similar move in the UK. Derivatives brokers are currently buying the London Clearing House from the retail banks which now own it.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.1660	-0.500	8.14	8.55	8.91
Austria		6.250	05/06	98.7000	-0.220	6.32	6.42	6.56
Belgium		7.000	05/06	102.3800	-0.180	6.65	6.73	6.83
Canada *		7.000	12/06	97.6800	-0.020	7.32	7.65	7.80
Denmark		8.000	03/06	104.9400	-0.160	7.29	7.34	7.47
France	BTAN	5.750	03/01	101.2900	+0.060	5.44	5.41	5.70
	OAT	7.250	04/06	104.4900	-0.030	6.53	6.55	6.81
Germany Bund		6.250	04/06	99.6100	-0.190	6.30	6.37	6.61
Ireland		8.000	08/06	102.6300	-0.220	7.58	7.66	7.71
Italy		8.500	02/06	101.7400	+0.080	8.22†	8.30	9.26
Japan	No 140	6.600	06/01	118.2190	+0.020	2.21	2.30	2.29
	No 182	3.000	09/05	98.6950	+0.210	3.18	3.30	3.24
Netherlands		6.500	06/06	115.0200	-0.190	6.27	6.37	6.51
Portugal		11.875	02/05	118.7600	+0.280	8.65	8.67	8.81
Spain		8.800	04/06	99.4800	+0.250	8.85	8.90	8.91
Sweden		6.000	02/05	88.7513	+0.060	8.22	8.34	8.28
UK Gilts		8.000	12/00	103-13	-5/32	7.06	7.17	7.29
		7.500	12/06	97-31	-9/32	7.79	7.90	8.01
		8.000	10/08	106-13	-13/32	7.91	8.01	8.12
US Treasury *		7.000	07/06	103-04	-14/32	6.53	6.61	6.91
		6.000	02/26	86-26	-25/32	6.81	7.00	7.05
ECU (French Govt)		7.500	04/05	104.5600	-0.020	6.78	6.81	6.99

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	[illegible]	Two year	5.96
Broker loan rate	7	Three month	5.17	Five year	6.29
Fed.funds	5¼	Six month	5.26	10-year	6.54
Fed.funds at intervention	5	One year	5.56	30-year	6.77

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	123.62	123.62	-	123.70	123.42	85,062	165,075
Dec	122.30	122.28	-0.02	122.30	122.10	964	35,972
Mar	122.10	122.10	-	122.10	122.00	853	5,926

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
120	-	-	-	-	-	-
121	-	-	1.97	0.03	0.33	0.72
122	1.57	-	1.32	0.09	0.64	1.07
123	0.63	0.40	0.83	0.23	-	-
124	0.25	-	0.48	0.84	-	-

Est. vol. total, Calls 10,400 Puts 5,266. Previous day's open int., Calls 129,428 Puts 147,393.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.74	97.60	-0.20	97.80	97.46	76966	239806
Dec	96.84	96.83	-0.19	96.92	96.62	3289	11742

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9750	0.43	0.34	0.53	0.71	0.24	1.01	1.20	1.38
9800	0.19	0.20	0.37	0.52	0.50	1.37	1.54	1.69
9850	0.07	0.11	0.24	0.38	0.88	1.76	1.91	2.05

Est. vol. total, Calls 7213 Puts 14326. Previous day's open int., Calls 180486 Puts 173967.

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	116.50	116.58	+0.20	116.78	116.35	30372	64234
Dec	115.80	115.90	+0.21	115.80	115.80	400	4546

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11650	0.80	1.45	0.52	2.05
11700	0.37	1.24	0.79	2.34
11750	0.20	1.02	1.12	2.62

Est. vol. total, Calls 1505 Puts 4024. Previous day's open int., Calls 81606 Puts 61610.

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100.45	100.71	+0.26	100.80	100.18	58,053	54,264

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-04	107-30	-0-10	108-05	107-29	54604	147288
Dec	107-11	107-06	-0-09	107-11	107-07	573	812

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
107	1-07	1-00	1-21	1-36	0-11	0-52	1-09	1-24
108	0-26	0-39	0-54	1-05	0-30	1-24	1-42	1-57
109	0-05	0-17	0-32	0-40	1-12	2-05	2-20	2-34

Est. vol. total, Calls 814 Puts 2209. Previous day's open int., Calls 30323 Puts 23892.

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.92	92.00	-0.02	92.00	91.82	1,469	8,031
Dec	90.20	90.20	-0.06	90.20	90.20	20	523

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	111-15	111-12	-0-02	111-19	111-10	261,247	435,830
Dec	110-30	110-26	-0-04	111-00	110-25	2,087	28,085
Mar	110-18	110-14	-0-02	110-18	110-14	271	4,204

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.99			120.05	118.90	2520	n/a
Dec	118.79			118.83	118.75	836	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Aug 8	Day's change %	Wed Aug 7	Accrued interest	xd adj. ytd		Low coupon yield Aug 8	Aug 7	Yr. ago	Medium coupon yield Aug 8	Aug 7	Yr. ago	High coupon yield Aug 8	Aug 7	Yr. ago
1 Up to 5 years (22)	122.39	-0.10	122.51	2.77	5.55	5 yrs	7.19	7.15	7.73	7.25	7.19	7.74	7.33	7.28	7.83
2 5-15 years (20)	148.17	-0.22	148.50	2.79	8.39	15 yrs	8.02	7.98	8.13	8.02	7.98	8.17	8.09	8.04	8.25
3 Over 15 years (8)	162.64	-0.41	163.31	3.08	7.40	20 yrs	8.11	8.08	8.16	8.11	8.06	8.20	8.15	8.10	8.27
4 Irredeemables (6)	185.54	-0.16	185.83	2.77	7.36	Irred.†	8.17	8.16	8.21						
5 All stocks (56)	143.04	-0.21	143.35	2.88	6.30										

Index-linked							Inflation 5% Aug 8	Aug 7	Yr. ago	Inflation 10% Aug 8	Aug 7	Yr. ago
6 Up to 5 years (1)	198.43	-0.01	198.42	2.54	4.43	Up to 5 yrs	2.52	2.51	3.29	0.98	0.97	1.65
7 Over 5 years (11)	189.26	-0.12	189.49	1.26	3.11	Over 5 yrs	3.71	3.70	3.58	3.51	3.50	3.39
8 All stocks (12)	189.36	-0.12	189.59	1.09	8.13							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 8	Aug 7	Aug 6	Aug 5	Aug 2	Yr ago	High*	Low
Govt. Secs. (UK)	93.24	93.50	93.39	93.35	93.38	93.69	96.34	91.59
Fixed Interest	113.22	113.22	113.26	113.19	113.02	112.09	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 7	Aug 6	Aug 5	Aug 2	Aug 1
Gilt Edged bargains	77.0	80.2	74.4	94.3	78.8
5-day average	81.1	82.5	83.3	82.0	77.4

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1995: 149.8 and for June 1996: 152.0.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 8

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
CONVERTIBLE BONDS	Issued	Conv. Price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

MARKETS REPORT

Sterling rallies on hopes of higher UK rates

By Philip Gawith

Sterling was the winner on the foreign exchanges yesterday, helped by expectations of higher interest rates and technically driven buying.

The pound rallied sharply in the European afternoon after buying by a US hedge fund drove it through the technical level of DM2.2960. This prompted further buying, helping the pound to close at DM2.3004 in London, from DM2.2866. Against the dollar it finished at $1.5496, from $1.5420.

Aside from the pound, the other main mover was the Finnish markka. Helped by seasonal corporate flows and positive signals about GDP, it reached an eight month high against the D-Mark of FM3.0025. There were also indications of investors switching from Swedish krona into the markka.

Elsewhere in Europe currencies were fairly steady.

The lira was barely changed at L1,023 from L1,024 against the D-Mark. The French franc bounced back from some of its recent losses to finish at FFr3.409, from FFr3.414.

Aside from these moves, activity was generally sporadic with a discernible summer flavour having descended on the markets.

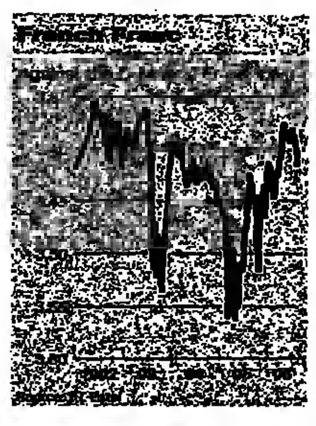
The dollar had an uneventful day, closing at DM1.4845, from DM1.4829. It was firmer against the yen, finishing at Y108.165, from Y107.750.

■ Sterling's move was triggered by one large order, and gained momentum when it breached a key technical resistance level. Underpinning the move, however, was a fairly random selection of events.

The main factor was the growing conviction that the next move in UK interest rates will be up. This was reflected in the futures market, where the December short sterling contract fell seven basis points to finish at 94.09.

The perception has its roots in the Bank of England's inflation report, released earlier this week, where the Bank warned Mr Kenneth Clarke, the chancellor, that he would have to raise rates if he was to achieve his inflation target. This view was bolstered by a market rumour that the CBI distributive trade survey, due out today, would be stronger than expected. "This would add further weight to the Bank's argument on interest rates," said Mr Chris Furness, analyst at IDEA in London.

The dispute in the Labour party, following the attack on the leadership by Ms Clare Short, a senior MP, was also cited as helping sterling.



One analyst noted: "It is the first time in many years that a potential Tory government is seen as bullish for the pound, and a potential Labour government is bullish too."

He said "Labour" optimism was based on the view that they might take sterling into the ERM, while "Tory optimism reflected confidence in their economic management.

The view that UK rates will rise any time soon is not universal. Mr Michael Burke, economist at Citibank in London, said: "The chances of a UK rate rise ahead of the elections is somewhere close to zero."

■ The franc had a better day, despite the continuing swirl of rumours surrounding senior officials. This time Mr Jean-Claude Trichet, governor of the Bank of France, was the man involved, though President Chirac's office denied rumours he was under any pressure to resign.

Although the D-Mark was slightly weaker, some analysts believe this to be temporary. Mr Peter Stoneham, analyst at Technical Data, said: "I believe there is still a risk of a significant break within the currency markets, possibly within the next 48 trading hours....I consider dollar/D-Mark to be the weak link in this scenario, and sizeable losses can be expected in the near term."

Some observers are sceptical about the current level of the dollar. Mr Burke said "cynics suspect there may be hidden intervention." He said the most recent data from the US Federal Reserve showed that central banks had bought $10.3bn of US treasuries in the last two months - a lot higher, be said, than would normally be the case.

■ Pound in New York

Aug 8	Latest	Prev. close
£ spot	1.5500	1.5420
1 mth	1.5494	1.5425
3 mth	1.5485	1.5418
1 yr	1.5472	1.5408

■ OTHER CURRENCIES

Aug 8	£	$
Czech Rp	41.4504 - 41.6028	26.7580 - 26.7780
Hungary	232.845 - 233.043	150.300 - 150.350
Iran	4650.80 - 4647.80	3000.00 - 3009.00
Kuwait	0.4637 - 0.4641	0.2993 - 0.2994
Poland	4.2200 - 4.2253	2.7240 - 2.7280
Russia	8165.83 - 8174.70	5271.00 - 5274.00
U.A.E.	5.6901 - 5.6933	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1877	+0.0078	789 - 966	16.2000	16.1021	16.1564	2.3	16.0815	2.3	-	-	105.4
Belgium	(BFr)	47.4100	+0.2741	745 - 455	47.6650	47.1780	47.315	2.4	47.125	2.4	46.335	2.3	107.6
Denmark	(DKr)	8.8955	+0.0514	900 - 001	8.9023	8.8538	8.8818	1.9	8.8514	1.5	8.7686	1.8	108.0
Finland	(FM)	6.9078	+0.049	300 - 452	6.9490	6.8860	-	-	-	-	-	-	85.7
France	(FFr)	7.8401	+0.0333	380 - 433	7.8478	7.8092	7.8278	1.9	7.8051	1.6	7.7117	1.6	109.3
Germany	(DM)	2.3004	+0.0138	992 - 016	2.3050	2.2857	2.2969	2.3	2.2868	2.3	2.2481	2.3	108.4
Greece	(Dr)	367.642	+2.335	362 - 722	367.905	366.308	-	-	-	-	-	-	67.8
Ireland	(I£)	0.9634	+0.0028	625 - 642	0.9649	0.9589	0.9629	0.6	0.9617	0.7	0.9572	0.6	99.5
Italy	(L)	2354.54	+11.41	293 - 616	2356.43	2337.58	2360.00	-2.4	2368.94	-2.6	2402.44	-2.0	76.2
Luxembourg	(LFr)	47.4100	+0.2741	745 - 455	47.6650	47.1780	47.315	2.4	47.125	2.4	46.34	2.3	107.3
Netherlands	(Fl)	2.5825	+0.0153	810 - 839	2.5841	2.5662	2.5764	2.8	2.5644	2.6	2.5187	2.5	107.5
Norway	(NKr)	9.9327	+0.0537	259 - 406	9.9413	9.8767	9.9236	1.0	9.9098	1.0	9.8233	1.1	98.7
Portugal	(Es)	236.438	+1.375	300 - 577	236.636	235.235	236.683	-1.2	237.788	-2.3	-	-	95.5
Spain	(Pta)	195.381	+1.004	292 - 471	195.483	194.276	195.841	-1.6	196.156	-1.6	197.558	-1.1	80.3
Sweden	(SKr)	10.2836	+0.0659	636 - 036	10.3028	10.2100	10.2939	-0.4	10.294	0.0	10.2928	0.0	88.1
Switzerland	(SFr)	1.8788	+0.0145	753 - 778	1.8798	1.8650	1.8718	3.2	1.8608	3.4	1.8128	3.4	112.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.8
Ecu	-	1.2232	+0.0049	226 - 238	1.2252	1.2182	1.2218	1.3	1.2189	1.4	1.2059	1.4	-
SDR†	-	1.058400	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5475	+0.0076	469 - 480	1.5505	1.5413	-	-	-	-	-	-	-
Brazil	(R$)	1.5871	+0.0074	864 - 877	1.5882	1.5583	-	-	-	-	-	-	-
Canada	(C$)	2.1249	+0.0093	240 - 258	2.1265	2.1121	2.1242	0.4	2.1205	0.8	2.1124	0.6	83.8
Mexico	(New Peso)	11.6755	+0.1028	686 - 824	11.6866	11.5960	-	-	-	-	-	-	-
USA	($)	1.5496	+0.0076	492 - 500	1.5510	1.5410	1.549	0.5	1.5485	0.3	1.5491	0.0	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9887	+0.0029	874 - 900	1.9905	1.9765	1.9912	-1.5	1.9963	-1.5	2.0215	-1.7	91.4
Hong Kong	(HK$)	11.9870	+0.0604	831 - 908	11.9978	11.9213	11.9789	0.8	11.9673	0.7	11.9475	0.3	-
India	(Rs)	55.3683	+0.7344	741 - 225	55.7980	55.0440	-	-	-	-	-	-	-
Israel	(Shk)	4.8737	+0.0143	664 - 789	4.8790	4.8476	-	-	-	-	-	-	-
Japan	(Y)	167.613	+1.462	515 - 710	167.850	166.270	166.888	5.2	165.398	5.3	158.983	5.1	134.2
Malaysia	(M$)	3.8598	+0.0211	561 - 617	3.8628	3.8364	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2528	+0.0084	511 - 545	2.2550	2.2373	2.2578	-2.7	2.2673	-2.6	2.3011	-2.1	107.8
Philippines	(Peso)	40.5918	+0.1605	271 - 565	40.6704	40.5142	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8119	+0.0288	101 - 137	5.8169	5.7798	-	-	-	-	-	-	-
Singapore	(S$)	2.1972	+0.0128	958 - 985	2.1987	2.1836	-	-	-	-	-	-	-
South Africa	(R)	7.0167	+0.0822	140 - 264	7.0297	6.9385	-	-	-	-	-	-	-
South Korea	(Won)	1261.76	+6.34	136 - 217	1262.82	1254.84	-	-	-	-	-	-	-
Taiwan	(T$)	42.6526	+0.2586	030 - 025	42.7525	42.4209	-	-	-	-	-	-	-
Thailand	(Bt)	39.2204	+0.227	025 - 383	39.2480	38.9950	-	-	-	-	-	-	-

† Rates for Aug 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.4464	+0.0118	433 - 494	10.4775	10.4405	10.4269	2.2	10.3849	2.4	10.2014	2.3	105.3
Belgium	(BFr)	30.5950	+0.027	800 - 100	30.6050	30.5140	30.54	2.2	30.425	2.2	29.885	2.8	107.0
Denmark	(DKr)	5.7405	+0.005	390 - 420	5.7655	5.7390	5.733	1.8	5.718	1.7	5.647	1.6	107.4
Finland	(FM)	4.4771	+0.0008	733 - 808	4.4812	4.4610	4.4706	1.7	4.4586	1.7	4.4131	1.4	85.2
France	(FFr)	5.0595	-0.0033	587 - 602	5.0760	5.0564	5.0526	1.6	5.0393	1.7	4.9705	1.8	108.7
Germany	(DM)	1.4845	+0.0018	841 - 849	1.4890	1.4836	1.482	2.0	1.4762	2.2	1.445	2.5	108.9
Greece	(Dr)	237.185	+0.345	130 - 240	237.370	236.720	238.84	-8.5	242.21	-8.5	256.185	-8.0	68.8
Ireland	(I£)	1.6085	+0.0033	076 - 095	1.6124	1.6023	1.6092	-0.4	1.61	-0.4	1.6018	0.4	-
Italy	(L)	1519.45	-0.09	085 - 010	1522.95	1515.81	1524.2	-3.8	1532.35	-3.4	1555.1	-2.3	75.7
Luxembourg	(LFr)	30.5950	+0.027	800 - 100	30.6050	30.5140	30.542	2.1	30.4355	2.1	29.905	2.1	107.0
Netherlands	(Fl)	1.6665	+0.002	660 - 670	1.6727	1.6653	1.6632	2.4	1.6581	2.5	1.6243	2.5	107.0
Norway	(NKr)	6.4098	+0.0032	058 - 123	6.4298	6.3960	6.4068	0.6	6.4011	0.5	6.3646	0.7	97.9
Portugal	(Es)	152.580	+0.14	530 - 630	152.940	152.500	152.855	-2.5	153.495	-2.4	155.65	-2.0	95.6
Spain	(Pta)	126.085	+0.03	060 - 110	126.370	125.980	126.335	-2.4	126.765	-2.2	128.305	-1.8	80.2
Sweden	(SKr)	6.6435	+0.0068	360 - 475	6.6635	6.6144	6.6419	0.2	6.6443	-0.1	6.6193	0.4	88.2
Switzerland	(SFr)	1.2110	+0.0065	105 - 115	1.2151	1.2085	1.2079	3.2	1.2	3.6	1.1665	3.7	112.4
UK	(£)	1.5496	+0.0076	492 - 500	1.5510	1.5410	1.548	0.5	1.5485	0.3	1.5491	0.0	83.9
Ecu	-	1.2668	+0.0011	665 - 671	1.2676	1.2624	1.2675	-0.7	1.2692	-0.8	1.276	-0.9	-
SDR†	-	0.68880	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-	995 - 997	0.9999	0.9993	-	-	-	-	-	-	-
Brazil	(R$)	1.0113	-0.0002	111 - 114	1.0114	1.0111	-	-	-	-	-	-	-
Canada	(C$)	1.3713	-0.0007	710 - 715	1.3739	1.3698	1.3711	0.1	1.3714	0.0	1.3742	-0.2	83.3
Mexico	(New Peso)	7.5345	+0.0295	320 - 370	7.5370	7.5320	7.896	-25.7	7.881	-18.4	9.5445	-26.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2834	-0.0043	829 - 839	1.2839	1.2828	1.2854	-1.9	1.2898	-1.7	1.3076	-1.9	92.4
Hong Kong	(HK$)	7.7355	+0.0001	350 - 360	7.7360	7.7350	7.7362	-0.1	7.738	-0.1	7.765	-0.4	-
India	(Rs)	35.7300	+0.3	500 - 500	35.9800	35.4800	35.9	-5.0	36.205	-5.1	37.675	-5.4	-
Israel	(Shk)	3.1451	+0.0062	425 - 477	3.1516	3.1340	-	-	-	-	-	-	-
Japan	(Y)	108.165	+0.415	130 - 200	108.200	107.250	107.72	4.9	106.82	5.0	103.08	4.7	135.0
Malaysia	(M$)	2.4908	+0.0014	904 - 912	2.4915	2.4897	2.4918	-0.4	2.4970	-1.1	2.5214	-1.2	-
New Zealand	(NZ$)	1.4537	-0.0017	531 - 545	1.4547	1.4530	1.4568	-2.6	1.4626	-2.4	1.4872	-2.3	-
Philippines	(Peso)	26.1950	-0.025	600 - 300	26.2300	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 508	3.7509	3.7503	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4176	+0.0013	174 - 184	1.4187	1.4165	1.4143	3.0	1.4083	2.7	1.3828	2.5	-
South Africa	(R)	4.5300	+0.031	275 - 325	4.5335	4.4940	4.5775	-12.6	4.6675	-12.1	5.005	-10.5	-
South Korea	(Won)	814.250	+0.1	200 - 300	815.000	814.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5250	+0.082	000 - 500	27.5600	27.5000	27.53	-0.2	27.535	-0.1	-	-	-
Thailand	(Bt)	25.3100	+0.0225	050 - 150	25.3220	25.2730	25.4087	-4.7	25.6125	-4.8	26.495	-4.7	-

† SDR rate per $ for Aug 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 7: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 8	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	3¼	3¼	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	4	4⅛	3.55	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.55	-	5.60
Germany	[illegible]	3¼	3¼	[illegible]	[illegible]	4.50	2.50	3.30
week ago	3¼	3¼	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	6	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	5⅞	-	-	6.25
Italy	9	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.89
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.73
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	3½	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	2½	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	2½	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.11	5.18	5.26	5.49	-	-	-
week ago	-	5.11	5.37	5.48	5.76	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible] - 3¼	[illegible]	[illegible] - 3½
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible] - 3¼	[illegible]	[illegible]
D-Mark	[illegible]	[illegible] - 3¼	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible] - 2¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible] - 3½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	7½ - [illegible]	7½ - [illegible]	[illegible]	[illegible] - 7¼	[illegible] - 7¼
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 7¼	[illegible]
Sterling	6¼ - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6
Swiss Franc	[illegible]	[illegible] - 2	[illegible]	[illegible] - 2¼	2½ - [illegible]	[illegible] - 2½
Can. Dollar	[illegible]	[illegible]	[illegible] - 4¼	[illegible] - 4¼	4½ - [illegible]	[illegible]
US Dollar	5¼ - [illegible]	[illegible]	[illegible]	5½ - [illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible] - 3¼	[illegible] - 3¼	[illegible] - 3¼	[illegible]	[illegible] - 3½

Short term rates are call for the US Dollar and Yen, others' two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.94	95.93	+0.04	95.94	95.88	34,471	51,950
Dec	95.94	95.92	+0.04	95.94	95.87	12,036	50,676
Mar	95.85	95.84	+0.03	95.85	95.81	3,572	29,828

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.67	96.68	-0.01	96.70	96.67	18842	174453
Dec	96.66	96.65	-0.03	96.67	96.65	18099	238383
Mar	96.47	96.45	-0.03	96.47	96.44	10171	192838
Jun	96.18	96.18	-0.04	96.18	96.15	13343	129678

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.42	91.42	+0.02	91.47	91.35	12187	57639
Dec	91.90	91.80	+0.02	91.96	91.84	13118	43127
Mar	92.20	92.15	+0.01	92.22	92.12	3691	22938
Jun	92.27	92.21	+0.01	92.28	92.19	1264	14557

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.65	97.68	+0.05	97.71	97.62	12772	30678
Dec	97.56	97.60	+0.05	97.63	97.55	7358	27086
Mar	97.41	97.41	+0.05	97.41	97.37	952	10507
Jun	97.13	97.12	+0.05	97.14	97.09	112	3075

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.28	-			0	n/a
Dec	99.04	99.04	+0.01	99.04	99.03	623	n/a
Mar		98.79	+0.04			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.54	95.53	-	95.56	95.52	943	9317
Dec	95.56	95.54	-0.01	95.57	95.54	1050	6230
Mar	95.46	95.43	-0.02	95.46	95.43	507	2941
Jun	95.27	95.26	-0.02	95.28	95.26	130	2817

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.76	16.54	4.851	2.031	4965	5.448	20.95	498.6	412.1	21.70	3.959	2.109	4.482	3.269	353.5	2.580
Denmark	(DKr)	53.29	10	8.813	2.585	1.083	2646	2.904	11.16	265.7	218.6	11.57	2.110	1.124	2.389	1.742	188.4	1.375
France	(FFr)	60.47	11.35	10	2.934	1.228	3008	3.295	12.67	301.5	249.2	13.13	2.394	1.276	2.710	1.977	213.8	1.560
Germany	(DM)	20.61	3.868	3.409	1	0.418	1023	1.123	4.316	102.8	84.95	4.474	0.816	0.435	0.924	0.674	72.87	0.532
Ireland	(I£)	49.23	9.238	8.141	2.388	1	2444	2.682	10.31	245.5	202.9	10.68	1.949	1.038	2.207	1.610	174.0	1.270
Italy	(L)	2.014	0.378	0.333	0.098	0.041	100.	0.110	0.422	10.04	8.301	0.437	0.080	0.042	0.090	0.066	7.120	0.052
Netherlands	(Fl)	18.35	3.444	3.035	0.890	0.373	911.6	1	3.845	91.52	75.65	3.984	0.727	0.387	0.823	0.600	64.89	0.473
Norway	(NKr)	47.73	8.957	7.894	2.318	0.970	2370	2.601	10	238.0	196.7	10.36	1.890	1.007	2.140	1.561	168.7	1.231
Portugal	(Es)	20.05	3.763	3.316	0.973	0.407	995.8	1.093	4.201	100.	82.66	4.353	0.794	0.423	0.899	0.656	70.90	0.517
Spain	(Pta)	24.26	4.553	4.012	1.177	0.493	1205	1.322	5.083	121.0	100.	5.266	0.961	0.512	1.088	0.793	85.77	0.626
Sweden	(SKr)	46.07	8.645	7.618	2.235	0.936	2288	2.610	9.652	229.7	189.9	10	1.824	0.972	2.065	1.506	162.9	1.189
Switzerland	(SFr)	25.26	4.739	4.177	1.225	0.513	1254	1.376	5.291	125.9	104.1	5.482	1	0.533	1.132	0.826	89.29	0.652
UK	(£)	47.41	8.896	7.840	2.300	0.963	2354	2.583	9.932	236.4	195.4	10.29	1.877	1	2.125	1.550	167.6	1.223
Canada	(C$)	22.31	4.186	3.689	1.082	0.453	1108	1.218	4.674	111.2	91.95	4.842	0.883	0.471	1	0.729	78.87	0.576
US	($)	30.59	5.739	5.058	1.484	0.621	1518	1.666	6.408	152.5	126.1	6.639	1.211	0.645	1.371	1	108.1	0.789
Japan	(Y)	28.29	5.308	4.678	1.372	0.576	1405	1.541	5.926	141.1	116.6	5.140	1.120	0.597	1.268	0.925	100.	0.730
Ecu		38.77	7.274	6.410	1.881	0.787	1925	2.112	8.121	193.3	159.8	8.414	1.535	0.818	1.738	1.267	137.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6750	0.6742	-0.0011	0.6753	0.6729	12,963	69,462
Dec	0.6780	0.6780	-0.0012	0.6785	0.6774	271	3,286
Mar	-	0.6834	-	-	-	21	633

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9312	0.9294	-0.0018	0.9327	0.9286	26,636	67,178
Dec	0.9425	0.9409	-0.0019	0.9430	0.9404	279	5,220
Mar	-	0.9544	-	-	-	2	124

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8295	0.8261	-0.0036	0.8305	0.8259	9,947	37,508
Dec	0.8347	0.8342	-0.0020	0.8347	0.8332	69	2,304
Mar	0.8404	0.8404	-0.0028	0.8404	0.8400	2	100

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5420	1.5434	+0.0014	1.5444	1.5420	7,609	46,440
Dec	1.5418	1.5430	+0.0014	1.5430	1.5418	51	1,236
Mar	-	1.5430	+0.0018	1.5430	-	3	9

UK INTEREST RATES

LONDON MONEY RATES

Aug 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible] - 5½	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible] - 5¼	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 2, 5.6349pc. ECGD fixed rate Stlg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.05pc. Reference rate for period Jun 28, 1996 to July 31, 1996, Schemes IV & V 5.611pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.20	94.10	-0.03	94.21	94.17	8356	78146
Dec	94.13	94.06	-0.07	94.15	94.08	21256	104573
Mar	93.92	93.89	-0.07	93.95	93.86	10640	70988
Jun	93.61	93.58	-0.08	93.62	93.55	4521	48194
Sep	93.23	93.18	-0.07	93.23	93.18	2792	31416

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.20	0.23	0.24	0.01	0.14	0.35
9425	0.04	0.10	0.14	0.10	0.26	0.50
9450	0	0.04	0.08	0.31	0.45	0.69

Est. vol. total, Calls 11851 Puts 4736. Previous day's open int., Calls 136123 Puts 124210

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	*Mount Credit Corp	6.00
Allied Trust Bank	5.75	Duncan Lawrie	5.75	NatWestminster	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	●Rea Brothers	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	Royal Bk of Scotland	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Singer & Friedlander	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	●Smith & Williamson Secs	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	Scottish Widows Bank	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	TSB	5.75
Bank of India	5.75	●Hambros Bank	5.75	United Bank of Kuwait	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Unity Trust Bank Plc	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Western Trust	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Whiteaway Laidlaw	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75	Yorkshire Bank	5.75
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Meghraj Bank Ltd	5.75		
Credit Lyonnais	5.75	Midland Bank	5.75		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Aug 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.13492	+0.00146	-0.80	2.06	6
Spain	162.493	161.479	-0.09	-0.62	1.88	4
Belgium	39.3960	39.2061	+0.0233	-0.48	1.73	8
Germany	1.91007	1.90232	+0.00118	-0.41	1.66	4
Austria	13.4383	13.3866	+0.0075	-0.38	1.64	3
Portugal	195.792	195.570	+0.111	-0.11	1.36	1
Ireland	0.792214	0.797758	-0.000599	0.70	0.54	-5
Denmark	7.28580	7.35835	+0.00829	1.00	0.25	-7
France	6.40608	6.48593	+0.00009	1.25	0.00	-10
NON ERM MEMBERS						
Greece	292.867	304.063	-0.062	3.82	-2.48	-
Italy	2106.15	1944.88	-2.4	-7.66	9.64	-
UK	0.786652	0.829280	-0.001803	5.42	-3.96	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.530	1.90	1.71	2.08	0.01	0.51	0.88
1.540	0.88	1.10	1.51	0.29	0.91	1.32
1.550	0.18	0.65	1.05	0.91	1.46	1.86
1.560	0.05	0.34	0.69	1.73	2.15	2.51
1.570	-	0.15	0.43	-	-	-

Previous day's vol., Calls 4,913 Puts 6,460. Prev. day's open int., Calls 186,345 Puts 149,807

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.43	94.42	-0.01	94.44	94.42	49,755	398,189
Dec	94.20	94.20	-	94.22	94.18	65,118	450,232
Mar	94.09	94.09	-	94.12	94.08	58,118	285,171

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.09	94.93	-	95.09	94.93	284	7,557
Dec	94.82	94.80	-	94.82	94.80	41	1,701
Mar	-	94.72	-	-	-	17	588

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
9650	0.19	0.20	0.20	0.24	0.01	0.02	0.05	0.09
9675	0.01	0.04	0.06	0.10	0.06	0.11	0.16	0.20
9700	0	0.01	0.02	0.03	0.32	0.33	0.37	0.38

Est. vol. total, Calls 10658 Puts 1830. Previous day's open int., Calls 340810 Puts 309929

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9775	0.05	0.13	0.14	0.12	0.28	0.48
9800	0.01	0.06	0.08	0.33	0.46	0.67

Est. vol. total, Calls 1020 Puts 550. Previous day's open int., Calls 9218 Puts 5849

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9125	0.26	0.77	1.04	0.11	0.12	0.14
9150	0.13	0.56	0.84	0.21	0.18	0.19
9175	0.06	0.41	0.66	0.39	0.26	0.26

Est. vol. total, Calls 1410 Puts 655. Previous day's open int., Calls 70969 Puts 34476

COMMODITIES AND AGRICULTURE

Fresh oil output surge forecast next year

By Robert Corzine

Another surge in oil production from countries outside the Organisation of Petroleum Exporting Countries is expected next year, according to the International Energy Agency.

In its latest monthly oil market report the Paris-based agency says oil supplies from non-Opec countries could rise by 1.67m barrels a day in 1997 to 45.7m b/d. That is more than this year's estimated rise of 1.5m b/d, and only slightly below next year's projected 2.5 per cent worldwide demand increase of 1.8m b/d.

The combination of a strong non-Opec production rise and increased output of natural gas liquids by Opec states means that 1997 demand for Opec oil is likely to be only 100,000 b/d higher than the 25m b/d estimated for this year.

The IEA says new North Sea fields will continue to account for much of the increased non-Opec supply. It says "more than two dozen new [North Sea] fields are projected to lead to a 565,000 b/d gain", compared with a 535,000 b/d increase estimated for this year.

Latin America, which is attracting increased attention from western oil companies, will account for 400,000 b/d of the oil supply growth, with half that coming from Brazil and Colombia. The agency also expects African output to continue to grow strongly, while the former Soviet Union's is expected to be 200,000 b/d higher.

A rapid rise in output from the deep water areas of the US Gulf of Mexico is expected to offset almost all the fall in Alaskan and onshore fields in the lower 48 states, with the total US reduction estimated at only 10,000b/d.

The IEA's demand forecasts show a rate of growth for 1997 similar to that of this year, which is expected to be 2.5 per cent. That would take total world demand next year to 73.6m b/d. Demand growth in the mainly western industrialised countries which are members of the Organisation of Economic Co-operation and Development should slow to 1.4 per cent in 1997 from an estimated 2 per cent this year.

But non-OECD demand in 1997 is expected to rise by 4.1 per cent to 31.9m b/d. This is based in large part on the expectation of "a strong recovery in economic growth in the former Soviet Union and improved economic prospects in Latin America".

Ukrainian grain harvest continues its steep slide

By Matthew Kaminski in Kiev

Ukraine's grain harvest this year will be little more than half the 1990 level, marking another disastrous year for the country's once dominant agricultural sector, a senior official said yesterday.

Mr Boris Supikhanov, deputy agriculture minister, said the forecast had been revised down from 39m tonnes to 30m. Other analysts say the harvest could be as low as 26m tonnes. Both estimates make it the worst in two decades.

Sugar production will be an estimated 2.3m-2.4m tonnes, down from 3.5m last year, Mr Supikhanov said.

A cold spring and a dry summer have contributed to lower yields on Ukrainian farms, but western economists believe structural problems made worse by lagging farm reform are behind the steep collapse.

Expectations for a good harvest that were voiced earlier this year were unrealistic as 449,000 hectares less was planted than in 1995 – a total of 14m hectares. Ukraine's farmers lack access to credits for seeds and fertiliser and suffer from fuel shortages.

The total grain crop was 51m tonnes in 1990, according to the Ministry of Statistics. Last year's harvest slumped to 33.93m tonnes, according preliminary statistics put together by the World Bank. Total output in the farm sector declined by 2 per cent last year, after a 17 per cent fall in 1994, according to the agriculture ministry.

But Mr Supikhanov said wheat reserves this year were high enough – at 13m tonnes – to allow the former Soviet Union's bread basket to avoid the further embarrassment of having to turn to the high-priced export market for wheat.

He added that the target of 5m tonnes of grain bought through state contracts – a remnant of central planning that has been slowly phased out – would be met. Already 3m tonnes had been procured.

Ukraine has moved slowly to replace its subsidised collectives with independent private farmers. The number of private farmers last month rose by 488 to 35,300 – leaving 2.5m people on collective farms. Private-held land accounts for less than 3 per cent of the total.

The parliament has not acted on a land code, but many economists believe land reform must be accompanied by opening up trade and permitting private investment. Mr Leonid Kuchma, the president, remains lukewarm on liberalisation, however, though quotas on grain exports were removed this year.

Ten commodities exchanges have been set up – in theory freeing farmers from dependence on state purchases, sometimes at prices below open market levels. But volumes are low.

About 40 per cent of farmers get their seeds and fertilisers from private suppliers, one analyst estimated.

Mr Pavlo Lazarenko, the prime minister, also publicly pledged his support for land and agricultural reform – including swift privatisation of grain silos and other important infrastructure – upon taking office in late May.

But Mr Supikhanov yesterday dampened expectations: "You must understand it cannot all be done in one big step". He said the government's priority was not liberalisation of trading, rather "the integration of producers of raw materials and the people who process it".

The parliament recently passed – for the third time – a privatisation law giving collective farm bosses a free 51 per cent stake in the country's food processing and other agro-industrial companies.

Market reformers argue that the law locks out foreign investment in a potentially lucrative sector. But Mr Supikhanov said the president would not veto the statute, as he had done before, as the parliament had removed a clause that proposed retroactively to reprivatise companies that had been already sold by the government.

Canadian diamond plan clears major hurdle

By Bernard Simon in Toronto

The Canadian government has approved an environmental review of proposals to build the country's first diamond mine in the Lac de Gras area of the Northwest Territories.

The project, controlled by Australia's BHP, still needs a number of other regulatory approvals. But none of these is expected to pose a serious problem.

Construction of the mine is likely to begin in October or November this year, with production scheduled to start in the second half of 1998. BHP and its Canadian partner, Dia-Met Minerals, have not disclosed production targets, beyond saying that the deposit contains a high proportion of quality gemstones.

Some environmental groups raised objections to the mine, which is located in a fragile ecological system about 200km south of the Arctic circle. However, their protests were overwhelmed by supporters of the project, who pointed to its economic benefits.

Mr Ron Irwin, minister of Indian affairs and northern development, said yesterday that the mine "represents enormous development potential for the North, the aboriginal people and other northerners, and for Canada generally".

About 1,000 people are expected to be employed during the two-year construction period. Once in production, the mine will have a payroll of 830 workers, two-thirds of them recruited locally.

Analysts bullish on lead market prospects

By Kenneth Gooding, Mining Correspondent

There is virtually universal agreement among analysts that the immediate prospects for lead prices are very bullish. Consumers are being warned that the lead market is heading for a period of supply tightness that might last until 1998.

As for the immediate future, Mr Jim Lennon at Macquarie Equities, part of the Australian banking group, sums up the mood. "The dramatic fall in London Metal Exchange stocks in 1995 and in the first quarter of 1996 means that overall market stocks remain uncomfortably low," he points out. "With the seasonal upturn in demand rapidly approaching, market stocks are likely to begin to fall again and lead prices appear well placed to stage a strong rally."

Mr Nick Moore at the Flemings Global Mining Group is equally bullish. "November is the usual month to watch for a lead price spike and all the ingredients look to be in place – hold on to your hats."

According to the International Lead & Zinc Study Group, an intergovernmental organisation, the present tightness in the lead market can be traced mainly to big falls in output last year in China and Kazakhstan, which coincided with record demand from the battery producers, the biggest consumers of the metal. Preliminary statistics from the ILZSG show that Chinese production fell by 12.4 per cent or 58,000 tonnes compared with 1994, while the drop in Kazakhstan was 29 per cent or 47,000 tonnes.

This resulted in a big drop in exports from eastern Europe. The CRU International metals consultancy estimates net exports fell 36 per cent, from a record 253,000 tonnes in 1994 to 161,000 tonnes. This was the main reason lead consumption in the western world exceeding supply by 172,000 tonnes last year compared with a 38,000 tonnes surplus in 1994.

Ms Annemarie Gardner at HSBC James Capel suggests that the CIS will become a net importer of lead by 1997 as its domestic production continues to fall and domestic demand for batteries increases.

Therefore stocks in the western world will remain at critical levels for another 18 months. "We expect the market eventually to move into surplus in 1998 but it is not until 1999 that stocks are predicted to increase meaningfully," she says.

Ms Gardner is forecasting average lead prices of 37 cents a pound ($816 a tonne) this year compared with 28.6 cents ($631) in 1995. She sees prices moving up to 38 cents ($838) next year, then easing to 35 cents ($772) in 1998.

Mr Angus MacMillan, research manager at Billiton Metals, part of the Gencor mining group, has revised upwards his lead price forecasts recently. He is looking for average prices of 38 cents a pound this year and 39 cents in 1997. "We take the view that the lead market will remain in supply deficit both this year and next, although as 1997 wears on we expect to see the market retuning to near balance."

At Bain & Company, a Deutsche Bank subsidiary, Mr Wiktor Bielski, says it is not surprising that lead, together with zinc, were the metals that first shook off the impact of the Sumitomo crisis that dragged down all LME prices in the middle of June and have returned to the price levels that existed before then. He says: "The lead market remains in structural deficit, with stocks being run down in order to meet consumption. LME stocks have fallen by more than 25 per cent since the start of this year and look set to continue falling as consumption recovers from the traditional second-quarter slump. Already demand is rising with the advent of the replacement battery season. With stocks below the critical five weeks' consumption level, further price rises are inevitable".

MARKET REPORT

LME nickel prices surge 4%

NICKEL prices surged 4 per cent on the London Metal Exchange yesterday, driven by speculative short covering and investment fund buying.

Physical business was still slow and LME stocks were expected to show another increase today of between 400 and 600 tonnes, traders said.

But this did not prevent chart-based buying and short covering during the morning session. Light profit-taking during the afternoon pared some of the gains. The three months delivery position ended the after hours "kerb" session at $7,280 a tonne, up $270 from Wednesday but $40 off the high.

"This is a speculator testing the market somewhat," said one trader. "There is also some short covering."

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

	Cash	3 mths
ALUMINIUM, 99.7 PURITY ($ per tonne)		
Close	1483.5-4.5	1519-9.5
Previous	1476.5-7.5	1512-3
High/low	1485	1525/1517
AM Official	1485-5.5	1520-21
Kerb close		1517-8
Open int.	229,164	
Total daily turnover	37,122	
ALUMINIUM ALLOY ($ per tonne)		
Close	1270-75	1305-10
Previous	1270-75	1305-7
High/low		1305
AM Official	1270-75	1305-10
Kerb close		1305-10
Open int.	5,144	
Total daily turnover	419	
LEAD ($ per tonne)		
Close	823.5-4.5	829-7
Previous	814.5-5.5	819-20
High/low	823	832/824
AM Official	824-4.5	828.5-7.0
Kerb close		824-5
Open int.	32,214	
Total daily turnover	7,290	
NICKEL ($ per tonne)		
Close	7185-75	7270-80
Previous	6875-85	6980-90
High/low	7125/7120	7320/7040
AM Official	7120-25	7220-25
Kerb close		7280-85
Open int.	39,582	
Total daily turnover	21,915	
TIN ($ per tonne)		
Close	6120-30	6185-90
Previous	6100-05	6150-55
High/low	6130	6200/6163
AM Official	6115-20	6180-85
Kerb close		6190-200
Open int.	16,602	
Total daily turnover	2,721	
ZINC, special high grade ($ per tonne)		
Close	1016.5-7.5	1043-4
Previous	1016-7	1043-4
High/low	1015	1046/1042.5
AM Official	1014-15	1042-2.5
Kerb close		1043-3.5
Open int.	67,224	
Total daily turnover	9,416	
COPPER, grade A ($ per tonne)		
Close	2050-55	1949-50
Previous	2043-8	1941-2
High/low	2065/2055	1969/1946
AM Official	2054-6	1958-9
Kerb close		1946-7
Open int.	199,985	
Total daily turnover	59,547	

LME AM Official £/$ rate: 1.5496
LME Closing £/$ rate: 1.5505
Spot: 1.5485 3 mths: 1.5463 6 mths: 1.5469 9 mths: 1.5477

HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	91.85	-1.10	93.50	91.80	218	2,503
Sep	91.00	-1.00	93.20	90.80	3,173	16,595
Oct	91.00	-0.95	92.00	91.10	28	1,499
Nov	90.50	-0.90	91.50	90.70	54	1,244
Dec	89.70	-1.15	91.20	89.60	803	15,205
Jan	89.29	-1.10	90.50	90.50	11	971
Total					4,851	[illegible]

PRECIOUS METALS

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	388.00-388.40		
Opening	387.80-388.20		
Morning fix	387.75	251.345	469.665
Afternoon fix	387.80	250.225	469.694
Day's High	388.10-388.50		
Day's Low	387.50-387.90		
Previous close	388.00-388.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.50	6 months	4.03
2 months	4.42	12 months	3.92
3 months	4.38		

Silver Fix	p/troy oz.	US cts equiv.
Spot	326.55	504.00
3 months	330.90	510.40
6 months	335.05	516.75
1 year	344.00	530.30

Gold Coins	$ price	£ equiv.
Krugerrand	396-399	255-257
Maple Leaf	398.85-398.35	
New Sovereign	90-93	58-60

Precious Metals continued

	Sett price	Day's change	High	Low	Vol	Open int
GOLD COMEX (100 Troy oz.; $/troy oz.)						
Aug	389.0	+0.4	389.4	388.0	15	853
Oct	391.7	+0.3	391.7	390.5	382	12,771
Dec	394.4	+0.3	394.4	393.4	10,857	76,601
Feb	396.8	+0.3	396.2	396.0	732	8,871
Apr	399.2	+0.3	399.0	399.0	61	5,948
Jun	401.7	+0.3	401.4	401.4	11	10,915
Total					[illegible]	159,932
PLATINUM NYMEX (50 Troy oz.; $/troy oz.)						
Oct	406.2	+0.2	407.0	405.0	2,640	19,642
Jan	407.8	+0.1	407.7	407.5	21	3,127
Apr	410.1	-	410.5	410.0	72	2,360
Jul	412.5	-	414.0	414.0	100	154
Oct	416.0	-0.5	417.0	417.0	-	-
Total					2,883	25,285
PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)						
Sep	130.70	+0.15	131.00	130.00	124	6,061
Dec	131.60	+0.15	132.00	131.50	49	2,051
Mar	132.70	+0.15	-	-	50	116
Jun	133.75	+0.15	-	-	-	107
Total					173	8,335
SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)						
Aug	506.1	+6.0	502.0	502.0	-	4
Sep	509.8	+5.9	511.0	502.0	5,602	63,040
Dec	517.5	+5.6	519.0	510.0	384	27,038
Mar	525.4	+5.6	525.0	519.0	160	7,874
May	530.4	+5.6	525.0	525.0	14	5,516
Jul	535.3	+5.6	530.0	530.0	184	4,120
Total					6,347	110,840

ENERGY

	Latest price	Day's change	High	Low	Vol	Open int
CRUDE OIL NYMEX (1,000 barrels, $/barrel)						
Sep	21.47	-0.07	21.60	21.25	47,601	60,834
Oct	20.88	-0.03	21.00	20.72	23,537	49,476
Nov	20.39	[illegible]	[illegible]	[illegible]	[illegible]	29,463
Dec	19.85	[illegible]	[illegible]	[illegible]	[illegible]	39,807
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	28,261
Feb	19.40	[illegible]	[illegible]	[illegible]	[illegible]	20,058
Total					[illegible]	354,262
CRUDE OIL IPE ($/barrel)						
Sep	19.97	+0.11	19.97	19.70	11,664	54,432
Oct	19.49	+0.09	19.50	19.33	6,378	48,525
Nov	19.08	+0.11	[illegible]	18.95	1,524	10,622
Dec	18.71	+0.09	18.80	18.63	2,365	18,273
Jan	18.36	+0.05	18.47	18.32	1,426	11,532
Feb	18.12	+0.04	18.10	18.05	331	6,530
Total					[illegible]	[illegible]
HEATING OIL NYMEX (42,000 US galls; c/US galls)						
Sep	56.50	[illegible]	[illegible]	[illegible]	[illegible]	34,560
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13,867
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9,502
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23,432
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10,418
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,808
Total					[illegible]	111,063
GAS OIL IPE ($/tonne)						
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9,731
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21,188
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6,358
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,316
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11,282
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,637
Total					[illegible]	67,176
NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)						
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	27,954
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20,176
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13,271
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15,026
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11,805
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,030
Total					[illegible]	33,325
UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)						
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	26,455
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,127
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,668
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,696
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,441
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,307
Total					[illegible]	49,215

GRAINS AND OIL SEEDS

	Sett price	Day's change	High	Low	Vol	Open int
WHEAT LCE (£ per tonne)						
Sep	108.95	-0.50	110.25	108.85	127	394
Nov	111.65	-0.35	112.00	111.50	115	3,133
Jan	113.65	-0.30	113.80	113.50	41	1,420
Mar	115.65	-0.25	115.75	115.65	75	510
May	117.65	-0.25	117.65	117.65	25	337
Jul	119.60	-	-	-	-	42
Total					314	5,838
WHEAT CBT (5,000bu min; cents/60lb bushel)						
Sep	459.75	+6	462.50	453.00	4,878	23,904
Dec	466.50	+6.25	469.00	459.00	11,479	35,233
Mar	465.75	+7.5	468.00	459.00	1,132	6,891
May	440.00	+8.5	440.00	432.50	19	250
Jul	398.00	+4	398.00	395.00	49	2,553
Dec	406.00	+4	406.00	406.00	-	82
Total					17,578	68,947
MAIZE CBT (5,000 bu min; cents/56lb bushel)						
Sep	353.00	+8.25	356.00	343.25	12,339	61,118
Dec	328.25	+7.25	329.25	320.00	27,550	170,425
Mar	335.75	+7.75	336.50	328.00	3,263	37,892
May	341.25	+6	342.00	335.50	1,273	11,775
Jul	342.25	+7.75	343.50	336.50	378	8,679
Sep	308.50	+3	308.50	308.00	31	975
Total					45,018	298,147
BARLEY LCE (£ per tonne)						
Sep	100.90	+0.25	100.85	100.85	5	191
Nov	103.90	+0.25	103.90	103.75	59	810
Jan	105.90	+0.25	105.75	105.65	12	338
Mar	107.90	+0.40	107.90	107.90	15	51
May	109.90	+0.25	109.90	109.90	35	50
Total					120	1,598
SOYABEANS CBT (5,000bu min; cents/60lb bushel)						
Aug	788.00	+14.75	789.50	778.50	3,494	8,494
Sep	767.75	+14.75	769.00	754.50	3,947	14,318
Nov	757.25	+14	759.00	743.00	21,410	112,758
Jan	765.00	+13.75	766.00	752.00	973	18,307
Mar	770.75	+13.5	772.00	763.00	745	8,010
May	771.00	+11	773.00	765.00	550	8,295
Total					31,889	171,986
SOYABEAN OIL CBT (60,000lbs; cents/lb)						
Aug	24.96	+0.31	25.15	24.72	4,506	3,682
Sep	25.11	+0.3	25.28	24.78	2,949	18,788
Oct	25.30	+0.32	25.42	25.05	5,251	13,277
Dec	25.65	+0.3	25.85	25.41	4,564	35,061
Jan	25.77	+0.27	26.00	25.60	205	4,305
Mar	26.10	+0.3	26.25	26.02	232	4,200
Total					18,333	83,132
SOYABEAN MEAL CBT (100 tons; $/ton)						
Aug	247.7	+5.3	247.5	243.5	5,522	8,865
Sep	243.6	+4.8	243.5	239.1	5,860	16,567
Oct	239.1	+5.2	239.3	235.5	1,210	7,268
Dec	237.1	+4.8	237.5	233.0	5,942	27,426
Jan	236.9	+4.3	237.5	234.5	225	4,074
Mar	237.0	+4.5	237.8	234.0	205	3,702
Total					19,847	73,278
POTATOES LCE (£/tonne)						
Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	98.5	+3.2	97.0	95.0	134	1,030
May	105.0	-	-	-	-	3
Jun	162.5	-	-	-	-	-
Total					136	1,033
FREIGHT (BIFFEX) LCE ($10/index point)						
Aug	1070	-11	1075	1068	15	1,021
Sep	1127	-10	1130	1125	10	716
Oct	1221	-5	1225	1220	31	1,412
Jan	1233	-5	1234	1230	61	427
Apr	1235	-11	-	-	-	191
Jul	1123	+0	-	-	-	19
Total					117	3,786

	Close	Prev
BFI	1060	1081

FUTURES DATA
All futures data supplied by CMS.

Wool
Australian wool continues to sell at steady prices, and the Eastern market indicator in the first two weeks of the season has fluctuated very narrowly. Scarcely ever veering by more than 1% from the basis at the closing sales of last season. The close this week was 602 cents, 4 cents higher than on July 4. Finer merinos continue to develop as a dearer market sector, while 22 and 23 micron categories are softer. This is said to relate to the profile of the Australian stockpile (still well over 2 million bales). In New Zealand, where there is no stockpile, wool prices at the second auction of the season were easier, after presenting a mixed appearance at the first auction. The NZ market indicator was 458, compared with 464 at the end of June.

SOFTS

	Sett price	Day's change	High	Low	Vol	Open int
COCOA LCE (£/tonne)						
Sep	1010	+3	1012	999	871	40,080
Dec	1020	-2	1023	1014	1,031	37,652
Mar	1030	-1	1035	1025	2,413	39,657
May	1039	-2	1044	1038	1,740	20,335
Jul	1051	-	1050	1050	29	11,333
Sep	1064	-1	1064	1060	42	3,382
Total					8,133	170,978
COCOA CSCE (10 tonnes; $/tonnes)						
Sep	1372	+26	1375	1346	4,074	16,104
Dec	1415	+24	1417	1390	3,172	22,088
Mar	1450	+27	1451	1427	108	16,789
May	1465	+23	1440	1440	75	7,467
Jul	1475	+16	1475	1475	2	5,943
Sep	1495	+14	1495	1495	332	5,162
Total					7,362	78,545

COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Aug 7 Daily	1015.36	1016.78

	Sett price	Day's change	High	Low	Vol	Open int
COFFEE LCE ($/tonne)						
Sep	1590	+33	1590	1548	1,721	12,780
Nov	1568	+43	1568	1520	2,601	9,171
Jan	1528	+42	1525	1481	331	4,193
Mar	1483	+44	1485	1440	74	2,604
May	1468	+48	-	-	-	510
Jul	1450	+40	1440	1425	-	165
Total					4,716	29,403
COFFEE 'C' CSCE (37,500lbs; cents/lbs)						
Sep	116.10	+6.80	118.00	109.50	3,321	13,232
Dec	107.00	+4.65	108.00	103.00	1,813	10,100
Mar	104.10	+3.60	105.00	101.00	163	3,443
May	104.05	+3.05	104.00	102.00	13	1,022
Jul	104.05	+2.80	104.00	104.00	49	405
Sep	104.05	+2.30	104.00	104.00	19	183
Total					5,314	28,464

COFFEE (ICO) (US cents/pound)

Aug 7		Prev. day
Comp. daily	98.17	98.13
15 day average	97.31	97.30

	Sett price	Day's change	High	Low	Vol	Open int
WHITE SUGAR LCE ($/tonne)						
Oct	341.8	-1.5	343.5	340.6	835	11,664
Dec	339.5	-1.7	340.7	338.6	247	4,039
Mar	335.6	-2.2	337.5	335.4	417	6,459
May	333.1	-1.3	334.0	333.0	181	2,434
Aug	333.5	-0.8	334.0	333.0	37	947
Oct	325.3	+0.3	325.0	324.5	49	953
Total					1,459	28,579
SUGAR '11' CSCE (112,000lbs; cents/lbs)						
Oct	11.37	-0.11	11.61	11.28	12,069	70,331
Mar	11.14	-0.10	11.23	11.12	4,486	44,347
May	10.97	-0.07	11.03	10.94	1,417	17,068
Jul	10.71	-0.08	10.80	10.71	700	12,973
Oct	10.59	-0.08	10.65	10.57	205	7,332
Mar	10.42	-0.09	10.59	10.50	-	763
Total					18,869	153,068
COTTON NYCE (50,000lbs; cents/lbs)						
Oct	70.90	+0.30	70.50	69.95	2,206	7,903
Dec	70.80	+0.12	71.20	70.63	12,703	32,424
Mar	72.38	+0.13	72.65	72.20	2,251	7,921
May	73.44	+0.14	73.60	73.20	758	5,849
Jul	74.10	+0.05	74.40	74.10	882	4,505
Oct	74.86	-0.20	74.85	74.65	64	1,065
Total					18,868	62,670
ORANGE JUICE NYCE (15,000lbs; cents/lbs)						
Sep	114.20	+1.80	114.25	112.65	380	10,659
Nov	118.80	+1.20	111.00	109.70	148	4,108
Jan	110.65	+1.10	110.70	108.50	143	4,380
Mar	111.00	+0.85	111.30	110.50	83	893
May	112.75	+0.75	112.25	112.25	11	246
Jul	113.70	+0.75	113.00	113.00	1	176
Total					789	20,596

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

REUTERS (Base: 18/9/31=100)

Aug 8	Aug 7	month ago	year ago
1931.6	1934.9	1987.4	2192.9

CRB Futures (Base: 1967=100)

Aug 7	Aug 6	month ago	year ago
243.90	244.16		

GSCI Spot (Base: 1970=100)

Aug 7	Aug 6	month ago	year ago
197.03	196.89	207.57	174.65

MEAT AND LIVESTOCK

	Sett price	Day's change	High	Low	Vol	Open int
LIVE CATTLE CME (40,000lbs; cents/lbs)						
Aug	68.625	+0.775	68.700	67.750	6,067	13,373
Oct	70.600	+0.55	70.725	70.050	5,509	39,139
Dec	67.725	+0.45	67.750	66.925	3,616	20,722
Feb	65.725	+0.425	65.750	65.225	1,345	13,095
Apr	67.100	+0.3	67.100	66.700	439	4,639
Jun	65.000	+0.2	65.050	64.800	80	2,317
Total					17,177	98,065
LIVE HOGS CME (40,000lbs; cents/lbs)						
Aug	62.300	+0.55	62.700	61.600	2,499	4,160
Oct	56.575	-0.025	57.250	56.300	4,790	15,073
Dec	56.450	-0.225	56.950	56.075	1,623	10,113
Feb	75.500	-0.7	76.050	75.300	317	2,768
Apr	73.400	-0.6	73.800	73.300	81	1,031
Jun	77.800	-0.675	78.300	77.750	121	1,062
Total					9,470	34,988
PORK BELLIES CME (40,000lbs; cents/lbs)						
Aug	102.475	-2	105.250	102.475	1,702	2,361
Feb	85.425	-2	88.400	85.425	1,147	3,843
Mar	84.625	-2	87.400	84.625	135	486
May	83.400	-2	85.650	83.400	40	236
Jul	82.150	-2	84.150	82.150	26	56
Aug	79.475	-2	81.500	81.500	-	-
Total					3,032	8,986

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	86	141	2	15
1500	24	73	27	43
1600	2	31	104	99
COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1800	216	185	6	65
1900	133	130	22	107
2000	70	87	89	163
COFFEE LCE	Sep	Nov	Sep	Nov
1600	36	86	46	118
1650	16	86	79	151
1700	13	54	123	186
COCOA LCE	Sep	Dec	Sep	Dec
950	63	96	6	28
975	42	80	7	35
1000	26	65	16	46
BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1900	-	90	3	46
1950	-	58	15	64
2000	17	40	32	-

LONDON SPOT MARKETS

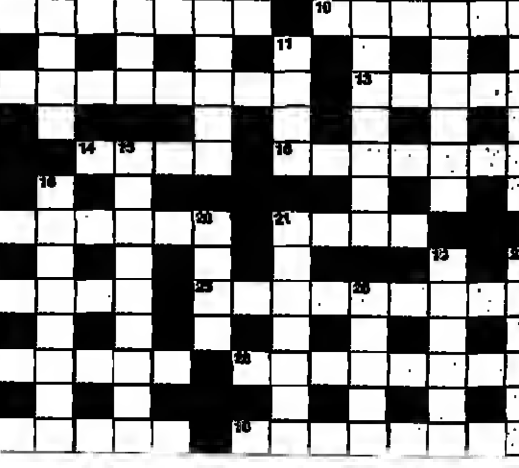
		+or-
CRUDE OIL FOB (per barrel)		
Dubai	$16.46-6.52	+0.39
Brent Blend (dated)	$19.99-0.03	+0.435
Brent Blend (Sep)	$19.88-9.92	+0.425
W.T.I.	$21.50-1.52x	+0.53
OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$211-216	
Gas Oil	$161-162	+1
Heavy Fuel Oil	$89-91	-2
Naphtha	$159-161	-2
Jet fuel	$207-209	+1
Diesel	$184-186	+1
NATURAL GAS (Pence/therm)		
Bacton (Sep)	13.65-13.70	+0.025
Petroleum Argus. Tel. London (0171) 359 8792		
OTHER		
Gold (per troy oz)♣	$388.20	
Silver (per troy oz)♣	505.50c	
Platinum (per troy oz.)	$401.25	
Palladium (per troy oz.)	$128.75	+0.25
Copper	101.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.15r	+0.05
Tin (New York)	286.50	
Cattle (live weight)	97.65p	+2.17*
Sheep (live weight)	107.23p	+2.22*
Pigs (live weight)†	109.79p	+2.99*
Lon. day sugar (raw)	$306.60	-2.70
Lon. day sugar (wte)	$365.20	-2.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5x	
Wheat (US Dark North)	Unq	
Rubber (Jul)♥	89.00p	
Rubber (Aug)♥	89.00p	
Rubber (KL RSS No1)	326.50m	+1.00
Coconut Oil (Phil)§	792.5w	+2.5
Palm Oil (Malay.)§	$480.0	+2.5
Copra (Phil)§	$502.0w	
Soyabeans (US)	213.0	-1.0
Cotton Outlook 'A' Index	75.60c	-1.10
Wooltops (64s Super)	417p	-3

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,995 head of pigs sold.

JOTTER PAD

CROSSWORD

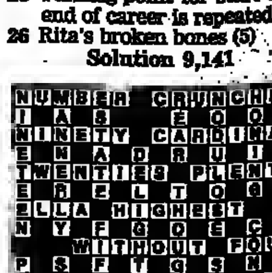
No.9,142 Set by CINCINNUS



ACROSS
1 Army signals? Of course! (4-4)
5 Girl gets time off to see saws (6)
9 Tools for bridge-builders? (8)
10 Treacle almost ruined wine (6)
12 I need half a month before becoming a saint (9)
13 Moslem leader's measure, always poetical (5)
14 Young female star leaving Las Vegas (4)
16 Fruit is found in waterfalls (7)
19 Trickery that's trifling, so we hear (7)
21 Idle brain (4)
24 Time left to devour raw fish (5)
25 One doesn't work all the time – send gin back (4-5)
27 A sort of aide or crew member for pop musicians (6)
28 Entertainers providing constant variety in resort (8)
29 Sound controls for Europeans (6)
30 Single us out for unfair appearance (8)

DOWN
1 In France you read Italian (6)
2 Command an attack (6)
3 Start to send broken watches over (5)
4 Stocks for bears (7)
6 Self-indulgent life of fool upset by musical (5,4)
7 Flower of the forest one found in Georgia (8)
8 Swift, say I, in dire straits (8)
11 Cherished band's last audience (4)
15 A change of heart by mischievous swimmer (5-4)
17 Coteries may be for a select few (8)
18 Howard's End and The Ascent of Man are by this author (2,2,4)
20 Some catty people may be kind (4)
21 A poet associated with gravity is having fun.... (7)
22 .... is poem about visit? (6)
23 Turning-point for start and end of career is repeated (6)
26 Rita's broken bones (5)

Solution 9,141



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Perpetual UT Mngrs (Jersey) Ltd

E.T. Investment Management Ltd

Manulife Regent Global Fund (u) (z)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

Astra International Umbrella Fund (a)

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Svecia Securities

Swiss Bank Corporation

OFFSHORE INSURANCES

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International – Contd.

PanEuroLife societe anonyme

Premier Life

Professional Investment Consultants

Alpha Fund Management Ltd – Contd.

Arnois Capital Advisers LLC

Arc Investment Company Ltd

Arnhold and S. Bleichroeder, Inc.

Asia Pacific Capital Strategies Fund

Asia Pacific Securities Corp Ltd

Global Asset Management – Contd.

Johnson Fry Securities Ltd

Jupiter Tyndall (Bermuda) Ltd

Kasmar Global Investments Limited

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	448	-4	558	419	4,627	6.6	16.9
Bulmer (HP)	[illegible]	595xd	-1	625	456	313.1	2.6	19.9
Burn St Dist	[illegible]	101	—	146	95	[illegible]	6.3	21.8
Glenmorangie A		765	—	775	600	104.0	2.0	19.6
Grand Met	[illegible]	440½xd	-1½	487	397	9,409	4.3	19.0
Guinness	[illegible]	478	—	528	435	9,196	3.9	15.6
Highland	[illegible]	371	—	408	315	884.5	2.7	17.3
[illegible]		728½	-6¾	870¼	621	7,845	6.8	29.0
Macallan-Glen	[illegible]	193	—	217	150	179.6	1.3	31.4
Matthew Clark	[illegible]	687xd	+2	[illegible]	580	[illegible]	4.5	31.8
Merrydown	[illegible]	121xd	—	141	78	13.2	4.6	Φ
Seagram $		£22¼	+¼	£25⅛	£20⅞	6,047	1.3	—

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Banque Bsc Cm 2nd Prf		50½	—	50½	50½	8.71	19.8	—
Cater Allen	[illegible]	422	—	520	370	137.4	8.9	12.5
Close Bros	[illegible]	334	+1	352	305	409.8	3.4	14.8
Gerrard & Nat	[illegible]	338	—	472	337	165.3	8.5	16.7
Hambros		236xd	—	252	183	418.0	4.0	—
7½pc Cv Pf		110½	-½	117	94½	142.3	8.5	—
King & Shaxson	[illegible]	169	—	177	112½	43.6	6.8	14.3
Leopold J	[illegible]	448	—	483	353	23.7	5.6	15.7
Rea Brothers	[illegible]	60	—	67	44	24.1	2.6	24.0
Schroders	[illegible]	1328	+43	1478	1185	2,006	1.5	18.5
N/V		998	+30	1188	880	438.1	2.0	13.9
Singer & Fried	[illegible]	111	—	122	95	219.2	4.5	9.2
8½pc Cv Ln 09/14		£131½	-½	£144½	[illegible]	49.3	6.5	—
Union	[illegible]	108	-3	121	85½	28.8	3.8	10.6
[illegible]		[illegible]	-3	[illegible]	[illegible]	[illegible]	4.5	[illegible]

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½		£34¼	£22½	1,903	3.5	Φ
Barlow	††	89½	-¾	£10¼	88½	1,221	2.1	-
Gold Flds Prop R.		136xd	+15	178	120	13.8	6.3	10.5
MK Props		80		98	75	3.22	11.4	-
SASOL	♥	693	+8	710	475	3,882	1.7	-
SA Brews		£17½	-¼	£20¼	£17¼	5,184	2.0	Φ
Standard Bank		£24½	-⅜	£32¼	£20½	2,975	1.5	21.3
Tiger Oats	†	830		1270	770	1,248	2.0	17.0
Tongaat-Hulett		752xd	+18	1247	736	711.8	2.5	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie manages seventh straight gain

By Philip Coggan, Markets Editor

The UK stock market succumbed to the August holiday spirit yesterday, with share prices drifting sideways in modest volume. The FT-SE 100 index traded in a range of just 14 points during the day.

Nevertheless, the leading index recorded its seventh consecutive gain, albeit only a 0.3 point rise to 3,811.4.

After all the spurious bid rumours that have recently been circulating, it was almost a relief to see an actual merger – ironically one that few expected.

The tie-up between United Friendly and Refuge Assurance was seen as a further step towards the consolidation of the insurance sector, where there is scope for considerable cost savings. But traders had previously been looking at other candidates in the sector, notably Guardian Royal Exchange, as merger or bid targets.

The deal pushed up United Friendly's shares by 14 per cent, gave a lift to other small insurance groups such as London & Manchester and enabled the FT-SE Mid-250 index to outperform Footsie on the dsy; the junior benchmark managed a 9.6 point rise to 4,318.6.

Otherwise, there was littla to inspire investors. Wall Street provided some support at the start – after a 22 point gain in the Dow Jones Industrial Average on Wednesday – but the US market drifted lower when it opened yesterday, and the Dow had dropped by around 26 points by the close of London trading.

The "bid rumour of the day" was a revived hope that someona might bid for Schroders, the merchant bank and asset manager. But speculators will be hoping that the story has more staying power than Wednesday's rumour that Reed might bid for Reuters or Pearson; in the event, Reed revealed the £100m purchase of Tolley, the specialist publisher.

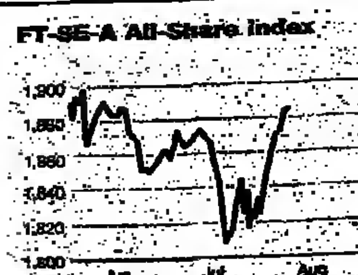
"At a time when there is no news around, people are being more than usually creative. Any and every company that has been mentioned as a bid candidate is being put forward," says Mr Paul Walton, UK strategist at Goldman Sachs.

"Our rally in the last 10 days has been inspired by Wall Street", he adds "but we're in a trading range of 3,650-3,850 and we aren't going through the top of it in my view. The equity market is fairly expensive, there is political risk and most market participants are on holiday."

Mr Ian Williams, UK equity strategist at Panmure Gordon is also downbeat, saying that "the recent run seems a bit overdone. It is a reflection of tight market conditions and an over-reaction to some stock specific stories. In the second half of the year, political worries will become more severe and the disagreement between the chancellor and the Bank governor will come to the fore."

Volume slipped back to holiday levals yesterday, with 638.3m shares traded by the 6pm count. The value of retail business was £2.3bn, the second successive day to top £2bn.

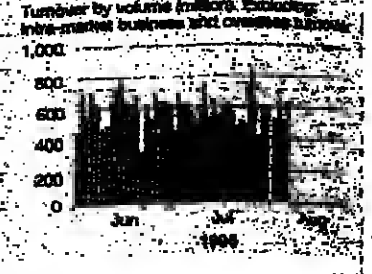
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3811.4	+0.3
FT-SE Mid 250	4318.6	+9.7
FT-SE-A 350	1907.0	+1.0
FT-SE-A All-Share	1884.43	+2.85
FT-SE-A All-Share yield	3.91	3.92
FT Ordinary index	2796.4	+8.6
FT-SE-A Non Fins p/e	17.09	16.84
FT-SE 100 Fut Jul	3818.0	+11.0
10 yr Gilt yield	7.78	7.78
Long gilt/equity yld ratio	2.08	2.08

Best performing sectors

1	Diversified Industrials	+2.6
2	Gas Distribution	+2.4
3	Banks: Merchant	+2.2
4	Support Services	+1.4
5	Distributors	+0.7

Worst performing sectors

1	Tobacco	-1.3
2	Life Assurance	-0.9
3	Leisure & Hotels	-0.8
4	Textiles & Apparel	-0.7
5	Oil Integrated	-0.6

Hanson tops the charts

Conglomerates bounced back, with a number of leading stocks moving up sharply to make some amends for a very drab recent run by the sector.

Hanson, which has lagged the market by more than 20 per cent this year, stormed to first place in the Footsie performance charts and BTR and Cookson also found ready buyers.

Cookson shares latched on to hopes of good news from the US book-to-bill ratio for semiconductors, long seen as a key indicator of demand trends in the electronics industry.

Having touched a recent low of 0.75 in May, the ratio has been slowly improving in recent months. The betting yesterday was that the July figure – due out after London market hours – would show further steady gains over the 0.91 of June.

Cookson jumped 6 to 269p. Hanson climbed 9¼ to 166½p, in 12m traded, after Kleinwort Benson put out a positive note, urging clients to buy on a 12-month view.

The broker remains at the top end of the City range of Hanson sum-of-the-parts calculations at 193p, and describes the stock as a good long term buy.

Rounding off a strong showing by the sector, BTR rose 9¼ to 258p. Tomkins, buoyed lately by good news on recent acquisition Gates Rubber, came off 7 to 262p.

Gas rebounds

British Gas, which fell precipitously earlier this year on the back of regulatory scares, clawed back above the £2 mark yesterday in the day's heaviest volume.

A number of brokers have been adopting a more favourable stance on the stock lately, and yesterday sentiment was given a hefty punt upfield by a reiterated buy note from SGST.

Regulator Ofgas is due to announce final price proposals for Gas's TRANSCO pipeline operations within the next two weeks. Ms Irene Himona, SGST energy analyst, feels that Ofgas's preliminary draconian rulings could well be moderated.

Gas shares came down from 250p to 170p between mid-April and mid-May. Yesterday they gained 5 to 202p in turnover of 14m.

Life stocks active

Life insurance shares, a traditionally sleepy sector, sprang into action following news of the agreed merger between United Friendly and Refuge.

United Friendly, up 105 to 839p, ended at the top of the FT-SE Mid 250 rankings while hopes for further corporate activity in the sector hoisted London and Manchester 33 to 381p and Britannic 10 at 763p.

Refuge came off 22 to 408p, as marketmakers brought share prices into line with the views of the consulting actuaries to the merger of the two companies' so-called embedded values. The big talking point in the leisure sector was Rank Organisation, which tumbled 27 to 441p, as investors reacted negatively to the strategic review, as well as to changes to accounting policies, which resulted in pre-tax profits of £128m against £444m in the same period last year.

Analysts, who revised their forecasts, were divided as to whether the restructuring would be positive in the medium to long term. One said the premium rating for the stock still overvalued the fundamental business.

Shares in Reed International, the UK arm of Reed Elsevier, the Anglo-Dutch publishing group, fell 5 to 1145p after interim results in line with forecasts.

Analyets said the etock bad risen in the last few days and the market may bave been sligbtly disappointed that there had not been a substantial acquisition.

However Reed's £100.5m purchase of Tolley Publishing from United News & Media was described by analysts as a rare deal - where both sides could be seen to benefit.

Ms Lorna Tilbian of Panmure Gordon said the deal made financial sense for United, which climbed 24p to 679p. While the purchase price was not cheap for Reed, there were considerable synergistic benefits.

Rentokil had another strong day, advancing 16 to 420p for a near 7 per cent gain over the last two days.

The support services group puts out first half figures on August 22 and a rally ahead of a results statement has long been a feature of the shares' trading pattern.

Brokers expect the interims to be good but difficult to interpret, given that they will include some two months trading from its £2.2bn acquisition, BET. City consensus is for profits growth of 23 per cent.

There was some speculation yesterday that Rentokil may be sharing in the market's renewed fondness for the so-called "growth stocks", as earnings among most cyclical companies start to level out.

Rentokil has an enviable record, with profits growing by 20 per cent per annum for the past 14 years.

Schroders, the independent merchant bank, moved up strongly on vague takeover talk plus trading optimism ahead of next month's interim statement.

Kleinwort Benson's very solid performance within the half-year returns from Dresdner Bank of Germany supplied the trading optimism. Kleinwort's pre-tax return on equity jumped from 14.4 to 20 per cent as profits broadly doubled.

"It's plainly been a good opening six months for the London-based merchant banks", said one analyst yesterday. He was more guarded on the takeover outlook for Schroders.

"Those rumours resurface every so often. Schroders is 48 per cent owned by family interests, and it's a thinnish market to trade in", he said. The shares rose 43 to 1328p.

Psion, which last month pulled out of takeover talks with computer rival Amstrad, shot forward on the back of a new takeover story. This time the rumour mill was tipping a bid from Sharp, the Japanese electronics giant.

Shares in Psion moved up 30 at the outset but eventually closed with a gain of 23 to 392p. Brokers reported that Psion had no knowledge of an approach from Sharp.

Among transport shares, Mersey Docks moved up strongly after a recommendation from UBS ahead of the company's interim results later this month. The stock added 8 to 397p.

Kleinwort Benson reiterated its positive stance on the food retailing sector, with J. Sainsbury, which dropped 5 to 395p, its least favoured stock. The broker upgraded its current year forecast for Tesco, from £725m to £745m, on the basis of relatively solid trading. Tesco strengthened 2 to 298p.

FINANCIAL TIMES EQUITY INDICES

	Aug 8	Aug 7	Aug 6	Aug 5	Aug 2	Yr ago	*High	*Low
Ordinary Share	2796.4	2787.8	2770.3	2775.1	2772.4	2610.0	2885.2	2668.5
Ord. div. yield	4.08	4.08	4.10	4.10	4.10	4.09	4.22	3.78
P/E ratio net	16.44	16.43	16.33	16.34	16.33	15.72	17.25	15.80
P/E ratio nil	16.28	16.27	16.17	16.16	16.17	15.53	17.03	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2792.6	2791.4	2790.4	2790.2	2793.7	2795.1	2797.6	2794.1	2795.7	2799.3	2754.3

	Aug 8	Aug 7	Aug 6	Aug 5	Aug 2	Yr ago
SEAQ bargains	30,144	32,267	31,412	33,481	33,225	22,907
Equity turnover (£m)†	-	2304.4	2159.8	1390.3	1890.4	1472.5
Equity bargains†	-	38,407	37,678	36,081	36,512	33,912
Shares traded (mil)†	-	725.9	623.0	507.0	695.6	580.6

†Excluding intra-market business and overseas turnover.

	Aug 8	Aug 7	Aug 6	Aug 5	Aug 2	Yr ago	*High	*Low
FT-SE AIM	1060.00	1053.10	1048.00	1046.20	1042.60	-	1146.40	965.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	820	Total Highs	54	Total contracts	74,783
Total Falls	542	Total Lows	35	Calls	39,487
Same	1,537			Puts	35,296

Aug 8 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

■ FT-SE 100 INDEX OPTION (LIFFE) (*3811) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to the London Share Service notes.

FT GOLD MINES INDEX

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FT - SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

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TRADING VOLUME

■ Major Stocks Yesterday

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هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 8 / Sch)

BELGIUM/LUXEMBOURG (Aug 8 / Frs.)

CZECH REP (Aug 8 / Koruna)

DENMARK (Aug 8 / Kr)

FINLAND (Aug 8 / Mka)

FRANCE (Aug 8 / Frs.)

GERMANY (Aug 8 / Dm.)

GREECE (Aug 8 / Drachma)

ITALY (Aug 8 / Lira)

NETHERLANDS (Aug 8 / Fls.)

NORWAY (Aug 8 / Kroner)

POLAND (Aug 8 / Zloty)

PORTUGAL (Aug 8 / Escudo)

		+/-	High	Low	Yld	P/E
BCO Pl	2,013	+22	2,477	1,401	5.0	...
BCPort	1,817	+19	2,250	1,676	3.3	...
BESant	2,500	−5	2,600	1,980	4.8	...
BancTA	2,781	−10	3,120	2,312	5.6	...
ModCnt	4,205	+3	4,800	3,900	1.8	...
PTelem	3,890	+4	4,180	2,700	2.0	...
SonInv	4,215	−34	4,500	5,075	3.8	...
Unicer	2,880	−5	3,000	2,250	2.6	...

SPAIN (Aug 8 / Pts.)

SWEDEN (Aug 8 / Kronor)

SWITZERLAND (Aug 8 / Frs.)

TURKEY (Aug 8 / TK Lira)

PACIFIC

JAPAN (Aug 8 / Yen)

HONG KONG (Aug 8 / H.K.$)

INDONESIA (Aug 8 / Rupiah)

MALAYSIA (Aug 8 / MYR)

NEW ZEALAND (Aug 8 / NZ $)

SINGAPORE (Aug 8 / S$)

AUSTRALIA (Aug 8 / Aust$)

SOUTH KOREA (Aug 8 / Won)

TAIWAN (Aug 8 / TW $)

THAILAND (Aug 8 / Baht)

AFRICA

SOUTH AFRICA (Aug 8 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 8 / Can $) 4 pm close

MONTREAL (Aug 8 / Can $) 4 pm close

INDICES

US INDICES

Composite‡	664.10	662.38	660.23	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	786.74	784.46	781.23	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	68.80	68.47	68.36	69.16 (2/8)	58.67 (10/1)	69.18 (2/8/96)	8.64 (1/10/74)
NYSE Comp.	354.43	353.65	352.61	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	550.24	548.74	548.59	614.98 (22/5)	525.60 (16/7)	614.98 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1141.11	1128.87	1120.53	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 2	Jul 26	Jul 19	Year ago
Dow Jones Ind. Div. Yield	2.20	2.28	2.30	2.43
	Jul 31	Jul 17	Jul 10	Year ago
S & P Ind. Div. yield	2.10	2.32	2.03	2.07
S & P Ind. P/E ratio	21.35	18.63	21.97	18.68

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Micron Tch	18,515100	26	+4
Glaxo Wl	7,822,800	27½	−⅛
First Un	6,286,400	64	−1⅜
LSI Logic	4,644,400	23¾	+1
Hewlett-P	4,338,300	46	+1¾
Texas Ins	4,225,000	48⅛	+3⅛
AT & T	4,161,600	55¼	+1⅛
Compaq	3,777,200	56⅝	+1⅛
West'hous	3,440,800	16½	−⅛
YPF	3,081,200	22½	+¾

■ TRADING ACTIVITY

● Volume (million)

	Aug 7	Aug 6	Aug 5
New York SE	392.411	347.227	303.766
Amex	20.910	18.190	15.993
NASDAQ	549.013	464.273	405.676
NYSE			
Issues Traded	3,171	3,200	3,178
Rises	1,391	1,281	1,101
Falls	963	1,131	1,225
Unchanged	817	788	822
New Highs	85	61	78
New Lows	16	27	24

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	666.25	666.10	−0.10	666.70	665.70	62,234	177,721
Dec	-	672.20	-	-	-	582	10,249

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	20680.0	20740.0	+220.0	20810.0	20620.0	19,293	234,735
Dec	20700.0	20770.0	+250.0	20800.0	20670.0	471	16,037

Open interest figures for previous day.

■ INDEX FUTURES

■ CAC-40 (200 x Index)

■ DAX

■ OMX

■ SOFFEX

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Thursday, August 8, 1996

	Stocks Traded	Closing Prices	Change on day
Toray Inds	11.1m	700	-2
TYK Corp	5.5m	1180	
Nichiboshin	4.9m	375	-59
Sumitomo Mtl Ind	4.2m	307	-3
Mazda Motor	3.6m	492	+1
NEC Corp	3.5m	1140	+30
Nippon Stl Corp	3.2m	350	-3
Sankyo	3.1m	2870	+30
Toshiba Corp	2.9m	716	+13
Hitachi	2.8m	1000	+5

4 pm close August 8

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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4 pm close August 8

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
20⅜	15	SciAtl	0.06	0.4	36	1373	14⅛	14	14¼	+⅛
31	17	Scotman	0.10	8.5	11	41	20½	20⅝	20½	-¼
47½	38⅛	Scripps	0.52	1.2	68	353	43⅞	43⅜	43⅞	+½
18⅜	15¼	ScuddrNAsF	0.02	0.1		10	13⅝	13½	13½	-⅛
12⅞	11	ScuddrNEuF	0.16	1.3		57	12⅞	12¼	12⅞	
30½	18	SeaCnB x	0.17	0.9	5	55	18½	18½	18½	
16	15	SeaC1.4625	1.46	0.8		6	15¼	15¼	15¼	
57¾	36⅛	S'gate			25	11569	52⅝	50¼	52⅛	+1¼
38⅜	30⅞	Seagrm	0.60	1.7	23	5850	34⅝	34¼	34⅜	-⅛
25	17⅜	Seagull En			12	1510	18⅝	18¼	18½	+⅛
38½	25	Sealed Air			25	535	36¾	36⅜	36½	
53⅞	39¼	SearsR	0.92	2.1	16	13049	44¾	43⅞	44½	+1⅛
22⅜	19⅛	SecCapSBI x	1.24	5.9	16	705	21	20¾	21	
13	11⅞	Seligm Sel	0.84	6.7		58	12½	12½	12½	-⅛
23¾	13⅝	Sensormat x	0.22	1.3	14	7465	17⅜	15⅝	17⅜	+1⅝
44⅛	29½	SequaA	0.60	1.4	110	25	42⅛	42	42⅛	-⅛
60	39	SequaB	0.50	1.0	128	10	48⅞	47¾	48⅞	
60¼	38⅞	ServCp	0.48	0.8	28	1998	58¼	57¼	57¾	+⅛
23½	19½	SvMstr	0.68	3.0	14	746	23⅛	22¾	23	+¼
6¼	4½	SandMerch			10	450	4¾	4⅛	4¾	
48¼	28½	SGSThm			7	3620	38⅝	37½	37¾	+⅝
15⅛	10⅝	Shaw Ind	0.30	2.0	68	6233	15	14⅛	14⅞	+¾
13½	10⅛	Shelby Wil	0.32	2.5	15	18	15⅞	12⅞	12⅞	-⅜
89⅞	76⅝	ShellTr	3.26	3.8	10	318	86½	86	86⅜	
41	39	SherW	0.70	1.5	18	1057	46⅝	46	46⅜	+⅛
15⅜	7⅞	Shoneys			11	487	8¾	8⅝	8¾	-⅛
35½	19⅝	Showboat	0.10	0.5	30	1536	20¾	d19⅝	20⅛	-½
29	22¾	Sierra Pac	1.10	4.7	11	415	25¼	25	25	-⅜
27¼	20	Signet Bnk x	0.80	5.5	11	2372	23⅜	23⅛	23⅛	-¼

NASDAQ NATIONAL MARKET

4 pm close August 8

AMEX PRICES

4 pm close August 8

Price data supplied by Telekurs

Yearly highs and lows are NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration. Sales figures are unofficial.

FT Free Annual Reports Service

* FINANCIAL TIMES Friday August 9 1996

AMERICA

US equities softer in midday trade

Wall Street

US shares were mostly lower at midsession as the equity market gave back some of the gains posted in the past two weeks, *writes Lisa Bransten in New York*.

At 1 pm the Dow Jones Industrial Average was off 32.55 at 5,686.12, and the more broadly based Standard & Poor's 500 had lost 2.87 at 661.29.

The American Stock Exchange composite was up 0.62 at 550.86. Volume on the NYSE was 195m shares.

The Nasdaq composite also gave up recent gains, slipping 2.05 at 1,139.06.

Since July 29, the Dow had added 284 points, and the Nasdaq 75 points as both markets regained their footing after sharp weakness in June and early July.

Bonds were modestly weaker as the Treasury market prepared for an afternoon auction of $10bn in 30-year notes.

In individual shares, Procter & Gamble, which is a component of the Dow, slipped $2¼ or 3 per cent at $88⅝, even although the consumer products company reported better than expected fourth quarter earnings of 77 cents per share.

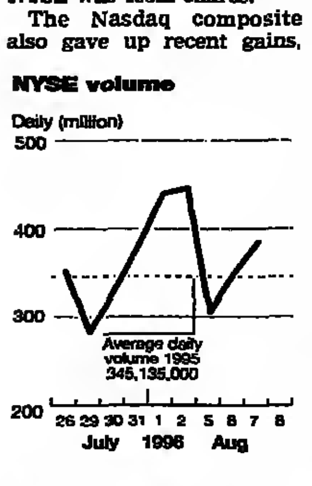
AMR, parent company of American Airlines, added $2¼ or 3 per cent at $84¾ after announcing that it would spin off Sabre, its computer reservations system, during the fourth quarter.

Gilead Sciences jumped $1⅞ or 10 per cent to $19⅞ after the biotechnology company announced that it had reached an agreement with Pharmacia & Upjohn to market its drug for an Aids-related eye disorder outside the US. Pharmacia & Upjohn added $⅛ at $43⅛.

United Healthcare, the largest health maintenance organisation in the US, added $1¼ or 3 per cent to $39⅝ after reporting second quarter operating income of 43 cents a share, one cent ahead of analysts' estimates. On July 11, the shares tumbled $13¼ to $31 after the company warned that increased medical costs would lead to earnings below the 51 cents a share level that it had earned in the same period last year.

America Online, the fastest growing online service provider in the US, fell $⅜ to $34⅛ as investors awaited its fourth quarter results, which were due out after the close of trading.

NYSE volume



Canada

Toronto was narrowly mixed in midsession with the TSE-300 composite index up a mere 0.66 at 5,032.41 at 1 pm local time. Volume, however, had risen from 32.8m shares to 37.1m.

Corporate news included trebled first-half profits from Thomson Corp and, although the publishing-based group emphasised the seasonality of its results, with the greater proportion of earnings arising in the second six months, the shares rose 40 cents to a new 1996 high of C$43.40. Another year high was seen at Scott's Restaurants, 40 cents higher at C$5.60 as investors continued to buy the stock.

Caution in São Paulo

Midsession activity in the region's markets was lacking in excitement.

In SAO PAULO, the market was cautious ahead of options settlement which was expected in the next week. Meanwhile, many investors were also waiting for second quarter results from Telebras, the telecommunications group. At midday, the Bovespa index was down 189 at 61,463, with Telebras off 30 cents at R$61.20.

Garantia, a leading domestic broker, yesterday downgraded Telebras from buy to bold, in light of pricing pressure that may arise from proposals to allow private sector operation of the cellular telephone service.

MEXICO CITY was modestly lower, with the IPC index down 13.87 at 3,175.13.

BUENOS AIRES was muted as a 24 hour general strike cast its shadow on the equity market. The Merval index was off 2.74 at 550.06.

Rate fears hit S Africa

Rumours that there could be a rise in interest rates afflicted equity trading in Johannesburg and most shares closed the session at or near their weakest levels.

Dealers said an assurance from the central reserve bank governor, later in the session, that there would not be a rate rise had done little to dispel nervousness.

There was a market rumour that a rise in rates could be as moch as two percentage points.

An uninspiring bullion price and foreigners' absence from the market shaved almost 1.5 per cent off the gold shares index.

The overall index lost 55.2 to 6,665.9, industrials fell 49.3 to 7,903.7 and the gold index was off 26.6 or 1.5 per cent at 1,782.5.

De Beers fell R2.50 to R129.50, bringing its loss on the week to 5 per cent.

● The market will be closed today for the Women's Day national holiday.

EUROPE

Helsinki, Copenhagen reach new 1996 highs

Two out of the four main Nordic markets hit new 1996 highs on the day, HELSINKI on specific corporate news and COPENHAGEN, closing early, in bomage to the recent strength of the Dow.

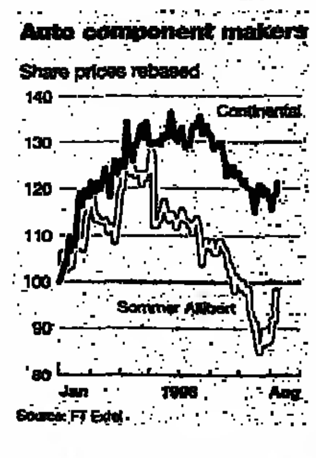
In Finland and abroad, analysts decided that a 56 per cent drop in second quarter profits at Nokia, allied to a return to profits at its mobile phones unit, was excellent news and the telecoms group hit FM183 before closing FM14.50, or 8.8 per cent, higher at FM178.50.

Stocks turned bullish almost across the board, and the Hex index rose 57.50, or 2.85 per cent, to a new 1996 high of 2,072.15. Turnover was some FM600m compared with a July daily average of FM256m.

In the Danish capital, the KFX index rose 0.69 to 118.41, up 11.7 per cent from its low for the year compared with a gain of 27.7 per cent for its more volatile Finnish counterpart.

STOCKHOLM, meanwhile, saw the Affärsvärlden General index up 8.6 to 1,962.7, well off its 1996 best. Ericsson responded to the Nokia news, its B shares closing SKr3 higher at SKr141, but the leading blue chips were mixed, with Astra A down SKr3 at SKr277 and Volvo B SKr1 lower at SKr143.

Auto component makers



Source: FT Extel

The outstanding share price move of the day came in ABB, on a report that the Swiss arm of the multinational would distribute SFr456m to shareholders; the Swedish shares hit SKr730, np SKr30 at one point, hut fell back to SKr718 when Swedish ABB said that it would not follow suit.

FRANKFURT hit profit taking, sold defensiva stocks and bought a few cyclicals as the Dax index closed 6.78 lower et an Ibis-indicated 2,534.63.

Turnover was flat at DM6.8bn. The dollar was stronger through most of the day, and chemicals benefited with BASF, in particular, up 85 pfg at DM41.21; but Continental, the tyremaker, denied takeover talk and closed 3 pfg lower at DM24.52 after an early flurry.

All of the big five banks, and the two big insurers lost ground, with Bayernverein off 84 pfg at DM52.16 and Dresdner 51 pfg lower at DM41.04; in utilities, Veba and Vlag shed DM2.03 at DM76.74, and DM9.15 at DM560.50 respectively; and, in retailers, Karstadt closed DM8.50 lower at DM543.50.

Among medium-caps, Computer 2000, a Viag subsidiary, fell another DM22 to a new 1996 low of DM293 after saying this week that it expected to pass its dividend. Bankgesellschaft Berlin, Germany's sixth largest bank and one which has seen none of the recent strength in sector share prices, slid 55 pfg to DM31 after a 39 per cent drop in first half profits.

PARIS saw significant price movements from Accor, Promodes and Sommer-Allibert, among others, as the CAC-40 index added 0.68 to 1,997.42 in turnover of FFr2bn.

Sommer-Allibert benefited from brokers' upgrades following the release of better-than-expected half year sales data. The stock soared hy FFr6.80, or 5.8 per cent, to FFr127.80.

Accor lost FFr16, or 2.5 per cent, to FFr624 while Promodes fell FFr18, or 1.4 per cent, to FFr1,302, after the retailer reported first half sales growth that disappointed analysts.

Roussel Uclaf, meanwhila, was unchanged at FFr1,138. The stock held firm in spite of downgrades from Goldman Sachs and HSBC James Capel. Goldman, which cut its rating from market outperformer to market performer, said that its change of heart had arisen from the company's weaker than expected first half results which came out earlier in tha week. HSBC James Capel thought that earnings growth was likely to pick up again during the second half of the year because of the company's continuing cost redtiction programme. The UK-based broker also noted that the shares remained more than 40 per cent up on the year to date.

AMSTERDAM busied itself with Elsevier, which turned in first half figures much in line with expectations. The shares moved to a session high of Fl 26.80, before closing off 30 cents at Fl 26.40.

The AEX index slipped 3.24 to 550.20. KLM hit a new intraday low for the year as the stock went ex a dividend of Fl 2. But analysts also said that the Dutch carrier stayed under selling pressure after a disappointing set of first quarter figures earlier in the week. The stock ended off Fl 3.40 at Fl 48.40, after a low of Fl 48.

ING Barings yesterday rated the airline a "trading buy", and while noting disappointment with the first quarter results, said that KLM could benefit in a positive way from any shake-up in the sector, especially from new partnership arrangements among the leading groups. The broker said that KLM needed such a partnership to be able to double its market share to 15 per cent.

ZURICH seemed less excited than Stockholm about the capital reduction by the Swiss holding arm of ABB or, indced, by the ABB figures; but the big engineering group, here, was trading in a more bearish environment as the SMI index fell 9.2 to 3,653.4.

ABB, here, rose SFr9 to SFr1,492. Most of the big blue chips were similarly restrained, but Swissair fell SFr19 to SFr1,130 following weakness in other European carriers, and Julius Baer rose SFr15 to SFr1,359 ahead of the banking group's half year results today.

MILAN was all but becalmed with even the telecommunications sector failing to excite much interest. The Mibtel index gained 27 to 9,662, while the Comit added 1.89 to 605.82. Turnover was some L300bn.

Stet rose L40 to L4,805 and Telecom Italia gained L80 to L2,905.

ATHENS hit a new year low of 870.36 during the day but some late buying helped to lift the market by the end of trading. The general index added 0.10 to 873.09 in turnover of DKr3.7bn.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Aug 9 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1641.74	1642.63	1643.54	1643.91	1644.20	1644.76	1644.14	1643.77
FT-SE Eurotrack 200	1701.15	1702.99	1705.06	1703.74	1704.48	1704.37	1705.28	1705.39

	Aug 7	Aug 9	Aug 5	Aug 2	Aug 1
FT-SE Eurotrack 100	1641.25	1641.58	1644.68	1631.55	1609.16
FT-SE Eurotrack 200	1702.51	1693.46	1698.64	1684.27	1667.27

Base value 1000 (29/10/90); Highday: 100 - 1645.73; 200 - 1707.22 Lowday: 100 - 1640.74 200 - 1700.34. † Partial.

ASIA PACIFIC

Nikkei recovers 1.2% on gains in high-techs

Tokyo

Wall Street's high-tech rally lifted Japanese semiconductor-related stocks and the Nikkei average rose 1.2 per cent, *writes Emiko Terazono in Tokyo*.

The 225 index closed 253.72 higher at 20,731.31 after trading between 20,531.45 and 20,772.11. Gains in export-oriented, high-technology issues were also encouraged by a decline in the yen.

The Topix index of all first section stocks rose 10.46 to 1,578.90 and the Nikkei 300 by 1.98 to 298.55. Advances led declines by 663 to 356 with 177 unchanged.

In London, the ISE/Nikkei 50 index rose 2.80 to 1402.31.

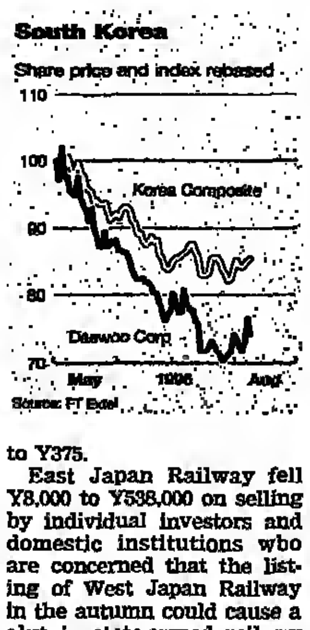
Volume totalled 290m shares against 277m in Tokyo, where market participants had become increasingly worried about the death of activity: the daily figure in July averaged 298m shares, the lowest in 13 months; in August, it had remained below 300m, with the exception of one session. Between January and June, daily average volume totalled 400m shares, but the subsequent retreat by overseas investors activity has caused Japanese institutions to refrain from active trading.

In high-tech stocks, meanwhile, NEC gained Y30 to Y1,140, Hitachi Y5 to Y1,000 and Toshiba Y13 to Y716. Carmakers were supported by the dollar's rise against the yen with Toyota Motor putting on Y30 at Y2,640 and Honda Y20 at Y2,540.

Arbitrage-linked buying helped banks. Dai-Ichi Kangyo Bank rose Y20 to Y1,830, and Sumitomo Bank Y20 to Y1,980.

Speculative stocks were actively traded by individual investors. Tokai Kogyo dropped Y9 to Y591 and Nichiboshin, the non-bank financial institution, by Y59 to Y375.

South Korea



Source: FT Extel

East Japan Railway fell Y8,000 to Y536,000 on selling by individual investors and domestic institutions who are concerned that the listing of West Japan Railway in the autumn could cause a glut in state-owned railway companies' shares.

In Osaka, the OSE average rose 78.18 to 21,726.77 in volume of 54.2m shares.

Roundup

The partial cabinet reshuffle in South Korea had little impact on the SEOUL equity market. The composite index ended 3.17 up at 837.20, after an intraday high of 841.93, but traders said that selling began growing once the index broke the 840 level.

Investors, apparently, had decided that there would be no drastic policy change in the short term. Among individual stocks, Samsung Electronics closed Won2,500 higher at Won73,800, with buying triggered by the news that Merrill Lynch expected improvement in the world chip industry; but Daewoo Corp, the trading and construction arm of the Daewoo Group, fell back Won250 to Won7,500; this followed a Won350 gain on Wednesday when large capitalisation stocks were seen as a good bet.

JAKARTA took profits in both large-capitalisation and second-line stocks. The JSX index edged down 5.78 to 548.18 in turnover of Rp255.5bn.

Analysts suggested that foreigners had been selling on news that the ousted leader of the Indonesian Democratic Party, Ms Megawati Sukarnoputri, was due to appear at police headquarters today for questioning in connection with the recent riots in the city.

SYDNEY was supported by interest in Coca-Cola Amatil as the All Ordinaries index added 4.8 to 2,226.6 in turnover of A$667.2m.

Coca-Cola Amatil advanced 40 cents to A$15.55 on news of a A$667m share placement with the Kerry Group, based in Hong Kong. Kerry agreed to pay A$14.51 a share for 46m Coca-Cola Amatil shares, a 9.3 per cent equity stake.

MANILA edged lower, the composite index losing 16.03 to 3,112.79.

Central Azucarera Don Pedro, the sugar manufacturer, which was making its market debut, closed at 5 pesos, a discount of 85 centavos to its offer price.

TAIPEI moved up ahead of a cut in the rediscount rate which was announced by the central bank after the close. The weighted index rose 80.47 to 6,341.93 in turnover of T$65.4bn; both hit five-week highs.

Banks rose by 1.4 per cent, and the electronic and plastics sectors by 2.4 per cent and 2.5 per cent respectively, with analysts seeing an improvement in the earnings outlook as the key attraction.

BOMBAY extended its own, limited-range volatility, losing a percentage point after a 1.8 per cent gain on Wednesday. There was selective buying by foreign funds, but no follow through support, and a late sell-off left the BSE 30-share index 34.26 lower at 3,509.18.

PAKISTAN was worried by the possibility of protests in the city by opposition political parties.

The KSE index fell 17.89 to 1,497.94. Marches were being organised against the 1996/97 budget proposals of the prime minister, Ms Benazir Bhutto.

SHANGHAI reported a strong inflow of overseas money on the imminent prospect of an interest rate cut, and the B share index rose 0.788, or 1.5 per cent, to 52.701 in turnover of $8.4m.

Shanghai China International Travel Service was the share price star, rising $0.036, or 11.1 per cent, to $0.360 in 1m shares; Shanghai Hiili was the most active stock, trading in 7.4m shares as it rose $0.010, or 4.6 per cent, to $0.226.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY AUGUST 7 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY AUGUST 6 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	197.55	0.0	189.93	134.55	152.30	169.19	-0.1	4.27	197.48	190.41	133.46	152.38	169.33	212.16	177.98	184.76
Austria (24)	178.30	0.1	171.43	121.44	137.46	137.38	0.0	2.05	178.14	171.77	120.40	137.46	137.33	196.04	168.11	183.81
Belgium (27)	216.67	0.6	208.32	147.56	167.04	163.34	0.5	4.08	215.40	207.70	145.58	166.21	162.61	217.11	186.08	198.15
Brazil (28)	176.82	0.4	170.01	120.43	136.32	329.22	0.8	1.04	176.08	169.78	119.01	135.87	327.37	192.70	123.67	134.07
Canada (119)	159.34	0.3	153.20	108.53	122.84	158.30	0.2	2.26	158.81	153.13	107.34	122.55	158.01	165.12	134.14	148.30
Denmark (90)	313.84	0.9	301.74	213.75	241.95	244.62	0.9	1.36	311.03	299.92	210.22	240.01	242.69	313.84	278.89	290.50
Finland (23)	198.85	0.6	191.18	135.43	153.30	190.84	0.8	1.66	197.66	190.59	133.59	152.52	189.30	215.03	171.71	159.80
France (95)	190.02	-0.4	182.69	129.42	146.49	150.81	-0.2	3.20	190.73	183.91	128.91	147.18	151.15	198.39	167.70	186.36
Germany (58)	175.43	0.6	168.67	119.48	135.25	135.25	0.5	1.81	174.35	168.12	117.84	134.54	134.54	175.43	155.69	165.87
Hong Kong (58)	426.31	0.1	409.87	290.36	328.66	423.32	0.1	3.45	425.77	410.55	287.77	328.55	423.02	451.18	348.51	366.95
Indonesia (27)	193.37	-0.2	185.92	131.71	149.08	277.68	-0.1	1.71	193.86	186.93	131.03	149.59	278.05	[illegible]	[illegible]	[illegible]
Ireland (16)	284.86	1.5	274.00	194.10	219.70	250.13	1.5	3.08	280.72	270.69	189.74	216.62	246.51	290.82	235.88	248.09
Italy (59)	76.68	-1.1	73.71	52.21	59.10	87.00	-0.9	2.47	77.56	74.78	52.42	59.85	87.78	84.53	67.22	82.71
Japan (481)	146.28	-1.8	140.65	99.62	112.78	99.62	-1.0	0.77	148.92	143.60	100.65	114.92	100.65	164.66	137.75	148.49
Malaysia (107)	543.71	0.9	522.75	370.32	419.17	521.31	0.8	1.73	539.38	520.11	364.56	416.22	517.05	585.09	425.77	545.86
Mexico (18)	1231.87	0.0	1184.38	839.03	949.70	10106.20	-0.3	1.32	1231.40	1187.40	832.28	950.23	10144.05	1325.86	791.99	1217.49
Netherland (19)	298.47	0.9	286.96	203.29	230.10	226.75	0.8	3.19	295.84	285.27	199.95	228.29	224.83	298.69	248.70	266.35
New Zealand (15)	83.40	-0.9	80.19	56.81	64.30	48.48	-0.9	4.21	84.18	81.15	56.88	64.94	65.01	84.71	73.84	82.62
Norway (35)	248.59	0.9	239.67	170.00	192.42	217.03	0.5	2.09	248.15	238.28	167.72	191.49	216.02	256.94	222.24	240.44
Philippines (22)	200.98	-0.4	194.86	138.03	156.24	264.82	-0.3	0.82	203.40	196.13	137.47	156.95	265.52	[illegible]	[illegible]	[illegible]
Singapore (44)	390.94	0.2	375.87	266.27	301.39	255.21	0.2	1.49	390.05	376.12	263.63	300.99	254.74	455.21	355.81	371.19
South Africa (44)	337.91	-1.2	324.88	230.15	260.50	332.28	-0.7	2.24	341.84	329.72	231.11	263.86	334.52	437.76	388.57	356.46
Spain (37)	177.93	-0.6	171.07	121.19	137.17	169.91	-0.6	3.44	179.37	172.96	121.23	138.41	170.94	183.85	145.15	180.04
Sweden (48)	351.27	0.1	337.73	239.25	270.80	345.08	0.8	2.47	350.98	338.42	237.21	270.82	342.39	360.77	290.56	286.17
Switzerland (37)	247.99	0.7	238.43	168.91	191.18	185.65	0.5	1.80	246.19	237.39	166.40	189.98	184.05	252.34	191.24	189.14
Thailand (45)	150.45	0.4	144.65	102.47	115.99	147.66	0.5	2.26	149.85	144.50	101.28	115.63	146.88	193.95	141.28	169.80
United Kingdom (189)	237.94	0.9	228.77	162.06	183.44	228.77	0.6	4.16	235.89	227.46	159.43	182.03	227.46	237.94	216.82	226.29
USA (625)	270.39	0.3	259.97	184.16	208.45	270.39	0.3	2.19	269.56	259.93	182.18	208.01	269.56	278.47	228.74	228.86
Americas (791)	247.00	0.3	237.48	168.23	190.42	207.70	0.3	2.18	246.24	237.44	166.43	190.02	207.08	252.43	208.16	210.05
Europe (708)	212.02	0.6	203.85	144.41	163.46	189.10	0.4	3.03	210.65	203.12	142.37	162.55	188.22	213.30	189.23	197.79
Nordic (136)	304.67	0.4	292.93	207.51	234.88	261.08	0.2	2.35	303.56	292.71	205.17	234.25	269.19	305.81	261.15	277.79
Pacific Basin (885)	159.46	-1.4	153.34	108.62	122.95	111.07	-0.8	1.24	161.72	155.94	109.31	124.80	111.90	177.01	148.86	159.28
Euro-Pacific (1593)	181.25	-0.5	174.26	123.45	139.73	138.22	-0.2	2.14	182.15	175.64	123.11	140.56	138.51	190.57	166.51	175.19
North America (744)	263.54	0.3	253.39	179.50	203.18	262.02	0.3	2.19	262.73	253.34	177.58	202.74	261.22	269.52	221.79	223.87
Europe Ex. UK (507)	192.86	0.2	185.43	131.36	148.69	155.79	0.3	2.53	192.40	185.52	130.04	148.46	155.21	194.65	169.65	177.89
Pacific Ex. Japan (398)	280.57	0.2	269.76	191.10	216.30	243.22	0.2	3.04	280.02	270.02	189.26	216.08	242.84	298.58	243.59	251.65
World Ex. US (1796)	182.53	-0.5	175.49	124.32	140.72	142.78	-0.2	2.14	183.38	176.83	123.95	141.51	143.05	191.55	167.39	176.35
World Ex. UK (2232)	207.06	-0.2	199.08	141.03	159.63	174.56	0.0	1.96	207.54	200.13	140.28	160.15	174.63	213.05	186.81	188.97
World Ex. Japan (1940)	244.20	0.3	234.97	166.38	188.33	230.47	0.3	2.55	243.48	234.78	164.56	187.88	229.74	247.55	212.62	216.85
The World Index (2421)	209.77	-0.1	201.68	142.87	161.72	179.47	0.0	2.16	210.05	202.55	141.97	162.09	179.43	214.85	188.49	192.22